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China Report

ECONOMIC AFFAIRS

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26 NOVEMBER 1986

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

ECONOMIC JOURNAL ON ENTERPRISE OWNERSHIP REFORM

HK281430 Beijing JINGJI GUANLI in Chinese No 9, 5 Sep 86 pp 19-23, 59

[Article by Shen Shouye [3947 1343 2814]: "A Preliminary Study of the System of Ownership by the Enterprises Proper"]

[Text] Great success has been achieved in China's urban economic system reform. However, many problems cannot be smoothly solved without a reform of ownership relations. Our reform has developed to a stage where the socialist public ownership must necessarily be perfected.

I

Invigorating the enterprises is the central link of the economic system reform. In the final analysis, it is the whole body of workers in an enterprise that determine whether the enterprise, as a socialist organization that produces or deals in commodities, can operate independently and assume sole responsibility for profits and losses, and bring about its own transformation and development. Whatever external measures may be applied, an enterprise can hardly be invigorated if the workers do not regard themselves as masters in handling various categories of work in the enterprise. Only if they all feel they are the actual, not merely titular, masters of the enterprise, can their concern and love for the enterprise give rise to conscious action, can their enthusiasm in production and work be fully developed, can there be satisfactory long-term planning in operation and management, and can the enterprise thus enjoy boundless vigor and vitality.

China's enterprises under ownership by the whole people, particularly the large- and medium-sized ones, lack vigor precisely because genuine masters cannot be found in them. Let us first see whether workers are the real masters of the enterprises. According to our traditional theory, all workers in an enterprise are certainly its masters. Actually, however, they view themselves as workers rather than masters of the enterprise. This is reflected mainly in the fact that in terms of thinking and behavior, the majority of workers relatively simplistically care about the remuneration for their own work alone, without, as masters should, adequately showing consciousness in production and work, interest in the planning of operation and management, concern for the enterprise's prospects and destiny, and care

of equipment and property. This kind of non-masterlike thinking and behavior, which may be called workers' simplistic thinking and behavior, constitute the basic cause of the enterprises' lack of vigor. Prior to the reform, this kind of thinking and behavior was mainly reflected in workers' weak enthusiasm in production and operation. In order to solve this problem, in our initial reform, we introduced the system of the enterprises' internal economic responsibility, and adopted measures like removing ceilings and floors for bonuses, linking total wages to economic results, and so on, so that the workers' enthusiasm could be developed. However, because the problem of workers not thinking and behaving like masters cannot be solved, unhealthy tendencies have developed among some enterprises, like "squandering without reservation the enterprises' resources through distribution and banquets," the indiscriminate distribution of bonuses and benefits in kind, and so on. The development of events has forced the state to readopt administrative and economic measures to control the distribution of bonuses. However, this control has again dampened the enthusiasm of the workers of some enterprises. Are factory directors and managers then the real masters of the enterprises? Apparently, factory directors possess great power in dealing with human, financial, and material resources and also production, supply, and marketing, and seem to be the masters of the enterprises. Actually, the majority of the factory directors regard themselves as the state's "agents" and all workers' representatives, rather than masters of the enterprises. They mainly concern themselves with fulfilling duties assigned by the state and furthering staff welfare. Precisely because of this thinking and behavior, when the state exercised centralized control over payments and receipts, the factory directors only paid attention to fulfilling the output and output value targets assigned by the state, at the expense of the enterprises' economic results. In order to end this situation, the state assigned greater decisionmaking power to the enterprises, "loosened the fetters binding them," and instituted on a trial basis the system of factory directors' responsibility. If the factory directors were really masters of the enterprises, the decisionmaking power assigned by the state would certainly be used for improving the enterprises. Actually, however, this is not the case. Some factory directors have been abusing their powers. For example, they abuse their power over personnel matters and in recruiting employees they "form cabinets" that comprise trusted henchmen only; they abuse their power over labor matters and employ labor according to "connections"; they abuse their power over selecting 3 percent of the staff for promotion and tend to promote themselves and the cadres; they abuse their power over production and operation, over work equipment, and care only about "accomplishing assigned tasks" at the expense of the enterprises' long-term interests; they abuse their power over financial matters and will not hesitate to undermine the enterprises' financial strength by distributing bonuses and benefits in kind; and so on. These phenomena specifically reflect that factory directors are not thinking and behaving like masters under the condition of reform. An important problem which we should conscientiously try to solve is that some enterprises' current behavior tends to be geared to short-term interests only. What is the basic cause of this problem? How can it be solved? We should carefully think over these questions.

II

Ownership of the means of production is the basis of production relations and is the most essential and basic economic relation among man's social relations. The root of the thinking and behavior of enterprise staffs, factory directors included, should be discovered through examining relations of ownership for the means of production. I think that only by turning the majority of enterprises currently under ownership by the whole people or collective ownership into enterprises under ownership by the enterprises proper (with some enterprises remaining unchanged, as explained below), with workers becoming genuine masters of enterprises, can the workers acquire a masterlike outlook with regard to power, responsibility, and gains and losses, so that the enterprises will develop permanently rational behavior and enjoy the greater possible vigor.

Can we adopt the method of "imposing constraints related to interests" to rationalize the enterprise's behavior and invigorate them, while keeping ownership relations intact? I think this method cannot basically solve the problem. Actually, we have been trying for many years to solve problems by this method. It has always been our intention that on the basis of adherence to using material incentive, the state's interests can be directly merged into the circumstances and conditions that govern the realization of the interests of the enterprises and their workers, so that the enterprises carry out production and operation and strive for their greatest possible benefit only under the constraint of those circumstances and conditions. Measures like abolishing ceilings and floors for bonuses and linking total wages to economic results are specific methods for "imposing constraints related to interests." However, their implementation has, as mentioned above, caused the enterprises to gear their action to short-term interests only. Currently, in order to solve this problem, the system of responsibility for attaining set goals in the factory directors' term of office, as a method of imposing some constraint related to interests, is being practiced. Whether this method can completely solve the problem remains to be ascertained through a full-scale investigation. However, information about some localities reveals that in the majority of cases the "goals to be attained in the term of office" are set by the enterprise (that is, the factory director), so that the goals themselves inevitably tend to be irrational or too low. Practice has demonstrated that unless we solve the basic problem of the non-masterlike thinking and behavior of workers of enterprises by launching a reform of ownership relations, the problem of "you impose your policies and we have our own countermeasures" will persist whatever method is adopted to "impose constraints related to interests."

Can we rationalize the enterprises' behavior and strengthen their vigor by appropriately separating ownership rights from operational rights under the condition that ownership by the whole people retains? I think this will be more effective than "imposing constraints related to interests." For the majority of enterprises, however, this method also cannot basically solve the problem under China's current condition of a low degree

of socialization in production and operation. The reason is that judging from our practice since the launching of the economic system reform, the series of measures for separating the two categories of rights, like increasing the enterprises' decisionmaking power, introducing the contractual and renting systems, and so on, while successfully mobilizing workers' enthusiasm, have caused problems varying in seriousness, like abuse of power, unreasonably low contractual targets, disproportionately weighty individual interests, overworking of equipment, disregarding the enterprises' long-term development and interests, and so on; those measures have not caused the enterprises to rationalize their behavior. The CPC Central Committee has put forth a correct Marxist thesis concerning enterprises under ownership by the whole people: "Ownership rights and operational rights can be appropriately separated." I think a thorough understanding of this thesis depends crucially on an in-depth understanding of the word "appropriate." Judging from the history of economic development in all categories of human society, given that owners attain more or less the same management standard as those undertaking operation, the operational results of enterprises are invariably better if the two categories of rights are combined than if they are separated. The reason is that while by virtue of the management factor owners and those undertaking operation can achieve the same operational results, the former have greater concern for their own property in contrast to the latter, who invariably practice predatory operation to varying extents, influenced by the mischievous non-masterlike thinking. Only when those undertaking operation attain a much higher management standard than owners can the enterprises' operational results be better if the two categories of rights are separated than if they are combined. This is because when the extent of socialization in production and management increases, the owners' management standard becomes progressively more incompatible with the complexity of economic development, so that in the development of social division of labor, operation and management must inevitably become an independent specialty and a profession for specialized management personnel. It is only under this condition that when operational rights are separated from ownership rights, with the former assigned to capable qualified management personnel, the enterprises' operational results can be better than if the two categories of rights are combined (with the owners attaining only a very low management standard in contrast to their great concern for their own property). Thus, whether the two categories of rights are "appropriately" separated depends in general on the extent of socialization in production and operation and on the availability to the enterprises of capable qualified management personnel who can keep abreast of economic development. Judging from China's current level of development of productive forces and current operational and management standard, the directors and managers of enterprises under ownership by the whole people have not, generally speaking, become a contingent of capable and specialized management personnel. Therefore, if the measure of further separating the two categories of rights is applied to all enterprises, predatory operation varying in seriousness may occur in the majority of enterprises, so that all-around and satisfactory operational results may not be certainly achievable. The method of separating the

two categories of rights can be "appropriate" only for the minority of enterprises where the conditions of production and operation are relatively advanced and factory directors and managers really attain relatively high management standards.

III

Having analyzed the need for considering alternatives regarding the ownership of enterprises, let us now examine whether practicing the system of ownership by the enterprise proper is rational.

What is called ownership by the enterprise proper refers to an economic form with the enterprises themselves acting as the main body exercising public ownership of the means of production. The implication is that the united workers, or all workers, of an enterprise jointly enjoy the right of ownership of the means of production of the enterprise, and this right is reflected in various links like production, distribution, exchange, and consumption. Under this public ownership, because all workers are specifically and genuinely the masters of the enterprises, jointly enjoying the benefits of enterprise operation and also jointly bearing the enterprises' operational risks, the operational results of the enterprises directly affect every worker's immediate personal interests and long-term interests, including their benefits after resignation. Thus, the workers will surely show greater enthusiasm, consciousness, and initiative.

Changing the majority of China's enterprises under ownership by the whole people and some of China's enterprises under collective ownership (at least large collective enterprises in the cities) into enterprises under ownership by the enterprises proper is in line with the tenets of Marxism. The crucial question here is whether the enterprises under ownership by the whole people, established through state investment, should forever remain under this kind of ownership. (The same reasoning applies to collective enterprises established through investment by the "big collectives" and not by workers of the enterprises. These enterprises will not be mentioned below for the sake of simplicity.) According to Marx' labor theory of value, "abstract human labor forms the value of commodities," (Footnote 1) ("Collected Works of Marx and Engels," Vol 23, p 60) and "the process of increase in value is merely the process of formation of value extended beyond a certain point." (Footnote 2) (Ibid, p 221) If we leave aside the substance this tenet embodies, namely, the study of capitalist production relations, we can see that the value of the product of an enterprise under socialist ownership by the whole people, which carries out production by using the means of production provided by the state, comprises two parts: First, value of the consumed means of production merged into the product; and second, value newly created by the living labor of the workers of the enterprise. Because the value of the means of production can only merge into the product and cannot alter the original magnitude of value, that is, cannot increase value, therefore, any increase in value arising in production must be

created by the workers' living labor. Moreover, when workers' income and the taxes and profits delivered to the state are deducted from the value newly created by the workers' living labor, the remainder is accumulation funds, the majority of which are continuously converted in expanded reproduction into the means of production owned by the enterprise; therefore, it is naturally reasonable that once an enterprise has repaid to the state the amount of the state's original investment in the means of production, all of the enterprise's property should belong to the whole body of workers. Thus, once an enterprise has, within a number of years stipulated by the state (this time should appropriately be longer), fully repaid to the state by installments the amount of its investment, then it should change over to ownership by itself proper. According to this reasoning, some old enterprises have actually fully repaid to the state the amount of its investment because they have been delivering profits to the state for many years; therefore, they should be able to change over to a new system of ownership without any further repayment. However, a minority of state enterprises really belong to the whole people and should not change over to ownership by the enterprises proper; for example, enterprises operating railroads, highways, postal and telecommunications facilities, and so on, constitute the infrastructure of our national economy; the bulk of the means of production used by enterprises operating large- or medium-sized mines or oilfields, water and electricity supply, and so on, are state resources; enterprises like banks, grain distribution units, wholesale commercial units, and so on, are closely connected with state planning, so that disorder will probably result if they are not directly controlled by the state; enterprises in the national defense and external trade sectors must have their products and operation subjected to overall state control; and some special enterprises important to the national economy and the people's livelihood can better serve the whole nation only if they are under direct state control. By the same reasoning, we can also determine which of the urban enterprises currently run by big collectives should change over to ownership by the enterprises proper and which should not. As to rural collective enterprises, changing their status to ownership by the enterprises proper will be advantageous to further mobilizing the workers' enthusiasm and rationalizing the enterprises' behavior; not doing so will be advantageous to "allowing industry to make up for the weak points of the agricultural sector." Since both options have their own advantages and disadvantages, a separate study should be made to determine which option should be chosen. We can thus have ownership by the enterprises proper, which is a form of public ownership, as the main body, and rationally supplement it with various other categories of ownership, so that China's ownership structure can be more rational.

Because this reform of our ownership relations and structure is rational, it enables many problems in reform to be rationally solved:

First, the institution of the system of ownership by the enterprises proper logically seals a correct relation between workers and the enterprises, and genuinely rather than merely nominally safeguards the workers' status

as masters of the enterprises. Because power, responsibility, and gains and losses lie with the workers, and they as owners have an incentive to show concern for their own property and strive for growth in property, an automatic and rational internal mechanism will inevitably be formed in the enterprises. This rational internal mechanism will certainly be characterized mainly by the selection (or recruitment through advertising) and deposing (or dismissal) of leading cadres of enterprises according to the aspirations of the majority of workers, so that they will be restrained from any unreasonable acts. Anyone who presumptuously acts against the immediate or long-term interests of an enterprise will certainly be restrained by the powerful supervision of the masses of workers. Thus, the enterprises will automatically refrain from all kinds of irrational behavior and thus acquire boundless vitality and vigor.

Second, instituting ownership by the enterprises proper provides a logical theoretical solution to the vigorous development of the socialist commodity economy. Since the launching of our economic system reform, economic theorists have undertaken a great deal of study about why commodity relations can exist within the state sector of the economy. Many viewpoints put forth are naturally not groundless, but they invariably seem unconvincing for their inability to explain why commodity relations can exist within the same ownership system. If ownership by the enterprises proper becomes the principal form of ownership in China's public ownership structure, then, the thesis that the socialist economy is a planned economy based on public ownership will be a natural and correct conclusion. This genuine unity of theory and reality is of great significance to the guaranteed success of our reform and the development of the socialist commodity economy.

Third, with the institution of ownership by the enterprises proper, the separation between administrative and enterprise authorities will be regarded as natural and logical. At present, in many localities, the duties of administrative and enterprises authorities have not been satisfactorily separated in the course of reform. In some cases, the responsible departments of the state do not want to assign powers to the enterprises; however, a very important reason is that "assigning powers to the enterprises will quickly lead to disorder." This is because with this assignment of powers, the state must control any external acts of the enterprises that undermine the state's interests as well as any irrational internal measures taken by the enterprises; but controlling the latter is very difficult. Thus, many kinds of capricious misbehavior that cannot be guarded against frequently occur. This often leads to the following cycle: "control quickly leads to rigidity; rigidity quickly induces the assignment of powers to the enterprises; assignment of powers quickly leads to disorder; and disorder quickly induces the recalling of powers." This makes it very difficult to separate the duties of administrative and enterprise authorities. With the institution of ownership by the enterprises proper, the enterprises' internal behavior will become more rational, and the state will mainly have to control the enterprises' external acts. Thus, administrative and enterprise authorities can be naturally separated.

Fourth, with the institution of ownership by the enterprises proper, the "substitution of lending for appropriation of funds" in investment in capital construction by the state will be a logical matter. With a reform of China's investment system, instituting the system whereby all of the enterprises' means of production funds must be obtained through borrowing will pave the way for instituting ownership by the enterprises proper, thus bringing about the unity of theory and practice. This development will help quench the "thirst for investment funds" and also make possible the recycling of the state's capital construction funds as loans granted to enterprises are continually repaid to the state with interest. Moreover, instituting ownership by the enterprises proper is consistent with "substituting taxation for profit delivery" and also theoretically consistent with the policy of permitting the bankruptcy of enterprises.

Fifth, instituting ownership by the enterprises proper is complementary to the reform of our economic mechanism. The reform of our economic mechanism aims to replace the rational economic mechanism, which embodies a high degree of centralization and which exercises control mainly through administrative means, by a planned commodity-economy mechanism which consciously applies the law of value and which fully develops the market mechanism. With the institution of ownership by the enterprises proper, this reform and the reform of the ownership structure will promote each other, so that various individual reforms can fit in with one another. This is of great significance to ensuring the smooth progress of the economic system reform and the fastest possible formation of a new economic system.

IV

Will the reform of our ownership relations and structure, with ownership by the enterprises proper to be instituted as the principal form of ownership, cause some major problems? People are paying close attention to this issue.

A relevant question is: Does this reform mean "retrogression"? The answer is in the negative, because first, ownership by the enterprises proper does not affect the essence of socialist public ownership of the means of production; precisely on the contrary, it solidly and genuinely ensures the workers' status as masters. Therefore, it is a form of socialist public ownership that possesses vitality and vigor. This form of public ownership differs in essence from the capitalist system of group ownership, which does not affect the essence of private ownership. The workers in a privately owned enterprise are not freed from the status of wage laborers subjected to exploitation, but socialist ownership by the enterprises proper brings about the symbiotic unity of those factors. Thus, ownership by the enterprises proper, by its nature as such a form of public ownership, can continue to guarantee the socialist orientation of our national economy when it becomes the main body in our ownership structure. Second, instituting ownership by the enterprises proper does

not mean replacing advanced production relations with "backward" ones. Marxism tells us that a production relation in its specific form can promote the development of the productive forces only if it is compatible with the level of development of the productive forces. A production relations will impede the development of the productive forces if it is either backward or overly advanced. We suffered losses in the past owing to matters of transition in ownership precisely because we committed mistakes by blindly going after so-called "advanced" specific production relations without considering the level of development of our productive forces. Practice has proved that only those forms of production relations which are compatible with the level of development of productive forces are genuinely advanced. Having ownership by the enterprises proper as the principal form of ownership in China's public ownership structure is compatible with China's current level of development of productive forces which is generally low. Therefore, we cannot say it is a backward form of production relations. Third, instituting ownership by the enterprises proper will not make the state economically worse off. The state's tax revenue will not decrease and invested capital construction funds plus interest on the funds can return to the state; on the other hand, the enterprises can acquire robust vitality and vigor, and a series of other reforms can proceed smoothly. Why then should we not proceed with it?

The second relevant question is: Will the success of the state's economic planning be affected? When the enterprises function as owners, they will have a lower degree of consciousness than enterprises under ownership by the whole people in submitting to state planning. However, this will not undermine the planned nature of the development of China's commodity economy because first, state planning, in the form of governmental directives and advisory guidance, which serve to coordinate overall national economic development, can be implemented both in enterprises under ownership by the whole people and in other enterprises under socialist public ownership. Just as production in some collective enterprises can, currently as in the past, be included in state planning, so can production in enterprises under ownership by the enterprises proper, if this is required by the state. Second, if carrying out state plans happens to bring economic losses to enterprises under ownership by the enterprises proper, the state can exercise regulation by using economic levers like taxation, pricing (for example, setting price ceilings or floors for certain products), and credit, or by directly using the material resources of the state sector of economy. Therefore, instituting ownership by the enterprises proper will not disrupt China's path of developing its planned commodity economy.

A third relevant question is: Will the order of labor employment in China be disrupted? Some people fear that with the institution of ownership by the enterprises proper, the enterprises will only employ their own workers' children, while rejecting other qualified personnel, even including those trained by the state. It should be said that in some sense this worry is not completely groundless, but if the state exercises control by means of economic rules and regulations and so on, the order

of labor employment will not be disrupted, because out of their need for doing production and operation well in line with their own interests, they cannot afford to reject qualified personnel they really need, and they basically cannot afford to employ those children of their workers who only know how to be "loafers." Problems may occur in the case of those jobs which do not require a great deal of technical or educational training and which many people can do well after some training. Therefore, state intervention in recruitment by the relevant enterprises is still necessary. Thus, the employment of high quality workers can be ensured and the normal social order of employment can also be safeguarded.

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AGGREGATE ECONOMIC DATA

SHANGHAI INDUSTRIAL GROWTH SAID TO 'PICK UP SPEED'

OW221122 Beijing XINHUA in English 0741 GMT 22 Oct 86

[Text] Shanghai, 22 October (XINHUA)--Industry in Shanghai, the largest industrial center in China, began to pick up speed after a sluggish growth in the first half of this year.

Production in the 3d quarter and at the beginning of this month shows that the annual growth could reach the anticipated 4 percent, an official from the municipal government said, and the total industrial output value could reach 86 billion yuan.

The total industrial output value in the first 9 months of this year reached 63.9 billion yuan, 2.5 percent over the same period last year.

The best month, so far this year, was September when 7.43 billion yuan worth of goods was produced. That figure is 5.2 percent higher than the same period in 1985.

Though the industrial growth has slowed down, the city government official said, the city's exports have registered the best performances for the last few years, with a big margin increase in the export of bicycles, wrist watches, enamel ware, and knitwear and that of electrical and machinery products increasing by 17 percent over the whole of 1985.

The slow growth of industry also gave the city a breather to readjust the product mix by increasing high-ticket consumer durables and other marketable goods and reducing the products not much wanted on the market, the official said.

The city has made a significant progress in making parts and accessories for products such as color televisions, household refrigerators and Santana cars, made with imported technology.

Meanwhile, more than 30,000 pieces of machinery and electrical equipment destined for the country's key construction projects, have been produced, hitting more than 80 percent of their targets this year.

But the official said that economic results of the city's industry were still not satisfactory, with less profits and taxes delivered to the state, and there was a trend of rising costs and consumption. Still greater efforts are needed to strive for the 4 percent growth with better economic results, the official said.

ECONOMIC MANAGEMENT

COMMERCE MINISTER'S REPORT ON COMMERCIAL REFORMS

Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese No 5,
11 May 86 pp 1-6

[Article by Commerce Minister Liu Yi: "Promote Commercial Reform, Bring About Socialist Market Prosperity: taken from the last two parts of its final report at the national Conference of Ministers of Commerce on 16 March 1986]

[Text] Based on the request of the central government and the State Council that in 1986 we continue to undertake the economic task of satisfying the demands of the public, which far exceed supplies, and guarantee a steady economic growth, and based on the guiding principle of the restructuring of the economic system which emphasizes "consolidation, digestion, replenishment, and improvement," this year the main task of commerce will be to promote commercial reforms, enrich and stabilize the market, reinforce the construction of the contingent, and improve the quality of services.

I

In recent years, under the leadership of the central government, the State Council, and party committees and governments at all levels, commercial reform has attained much progress in the following five areas: 1) Gradual relaxation of the purchase and sales policies. By 1985 state monopoly of purchase and sales of everyday consumer goods has been abolished. Centralized and assigned procurement of agricultural by-products has also been abolished. The number of commodities under planned management has been reduced from 188 to 23 categories. Thus the market's regulative role has been expanded greatly. 2) Development of diversified forms of commerce and modification of society's commercial structure. Compared to 1980 the 1985 total value of retail sales of the state-run businesses and the supply and marketing cooperatives has increased 43 percent, and the total value of retail sales of other collective businesses and individual businesses were 2- and 6.8-fold higher, respectively. The proportion of state-run and supply and marketing cooperative businesses fell from 84 to 59.5 percent while the proportion of other collective businesses rose from 12.5 to 17.7 percent, and individual businesses rose from 0.3 to 15.7 percent; other forms of commerce also rose from 3.2 to 7.1 percent. 3) Decentralization of state-run commercial wholesale enterprises to the cities, organization of trade centers and expansion of lateral economic relations. By 1985, all grade-1 stations for

manufactured daily goods under the ministry have been decentralized; 86 percent of the grade-2 stations for provincial manufactured goods have also been decentralized. More than 1,600 trade centers, 999 of which are manufactured goods trade centers, have been set up. All wholesale enterprises may purchase and sell their products freely. 4) Decentralization of small state-run enterprises through "reform, convert, or lease" procedures. By 1985, 64,671, or 75 percent, of the small enterprises have been decontrolled. 5) Decontrol of medium and large enterprises. Many enterprises are implementing diversified operating contract responsibility systems internally. Through these reforms urban commerce has from its closed format which had few channels and numerous links and developed an open style with "three mores and one less." Commodity circulation has improved and enterprise operations and managements have also improved. According to estimates by provincial, city, and district commerce departments and bureaus, in 1985 commodity sales value reached 159.8 billion yuan which is an increase of 17,732,000,000 over the previous year, and the realized profit was 7,459,000,000 yuan, a net increase of 2,479,000,000 yuan over last year.

In short, urban commercial reform has taken big strides in recent years to meet the requirements for developing a planned commodity economy and overall restructuring of the economic system. Commerce departments at all levels and staff workers in general are enthusiastic about the reform and have put in much effort. The reform has moved in the right direction and the results are good. But new situations and new problems have also emerged: After the decontrol and revitalization, state-run commerce still clings to some of its closed-form, distribution-style commodity-circulation methods which are incompatible with the needs of the lateral expansion of commodity circulation. In multichannel circulation, state-run commerce's grassroots enterprises lack vitality; some middle administrative levels are trying to retain control which hinders the effectiveness of grassroots enterprises in the market place. Small enterprises are faced with changeable policies which hamper the process of decontrol and revival.

The 1986 urban commercial reform must continue to implement the central government's resolution on restructuring the economic system and implement the spirit of the State Council's Document No 92 (1984). Continue to work hard on the various reforms in progress; enhance the vitality of the enterprises, and actively promote the lateral economic relations of commodity circulation; experiment with new forms of commerce and develop new business channels to further stimulate product flow and bring about a prosperous market.

A. Continue To Energize the Large and Medium-Size State-Run Commercial Enterprises

Nationally there are over 50,000 large and medium-size state-run commercial enterprises which comprise over 40 percent of all commercial enterprises and account for 80 percent of all businesses. They are the backbone of socialist commerce. Experience has proved that when these enterprises are running smoothly, they set the trend and the market will stabilize.

1. Continue to relinquish control over the enterprises and solve the problem of the attempt of middle administrative levels to retain power. After the decentralization of enterprises to the cities, the commercial administrations departments of cities must uphold the principle of separation of business and politics so that the wholesale companies and the large and medium-size retail enterprises can attain independence and autonomy over both supply and marketing and goods and materials. The administrative-type companies of cities should be converted to companies of an operating and management service type. Wholesale units and shopping malls should implement centralized management but independent accounting at different levels of their affiliated wholesale companies and large retail stores, respectively. Medium-size retail enterprises should maintain simple independent accounting. As the enterprises gain more autonomy, they may expand their operation or set up branch stores locally or in other regions.

2. Enhance the capability of the enterprises to improve and expand. A 1985 estimate showed that retained profit of the commercial system was 3.51 billion yuan, an increase of 648 million yuan over the 1983 figure. After deducting the energy and transportation funds, staff and worker bonuses and welfare payments, the retained profit amounted to only 10,000 yuan per enterprise. Commerce generally invests little in capital construction and its fixed assets are small and depreciation allowances limited, averaging about 10,000 yuan per enterprise. There is also practically no funds for technical measures. Therefore there has been little improvement in operating facilities. There is a lack of means to provide new facilities, and the housing problem of the grassroots business workers and staff is acute. Therefore, the state must extend help and implement reforms to enliven the enterprises, improve management, and increase efficiency so that the income of individual enterprises may rise as national income rises. The Financial and Economic Leading Group has agreed in principle to take enterprises into special consideration in reducing or exempting their adjustment taxes. Part of this fund will be retained by the enterprises, the rest will be controlled by the city, the province, and the ministry to be used for subsidizing trade centers, wholesale markets, product-circulation facilities, worker and staff education and for the construction of dormitories for the workers and staff of first-line enterprises in large and medium-size cities. This is an important aspect in helping the enterprises develop lateral relations and in helping them regain vitality.

Since the banks began implementing the "separation of savings and loan accounts," business enterprises must borrow from one account and deposit savings into another account, thus their interest burden has increased. The Finance and Economic Leading Group proposes that banks consider the peculiarity of business funds and make lending and repayment more flexible.

3. Standardize the business administration system and the quality of services gradually to achieve better social and economic results. In the past 2 years, in implementing reforms in contract responsibility system, enterprises have adopted appropriate new systems but the standards of business administration and quality of service have yet to be set. Propaganda and education are needed to

make the cadres and the workers and staff more knowledgeable. Implement standardized management systems and even more important, standardized quality of services. In order to insure compliance, enterprises and personnel have to be inspected. Enterprises which constantly fail to meet the standards may require personnel adjustments at the top. Workers and staff who persistently fail to meet the standards should be penalized according to circumstances and in the spirit of the nation's "Regulations Pertaining to Enterprise Personnel's Rewards and Penalties." Workers and staff who show persistent poor performance, who fail to improve even after re-education, who are bad influences and cause economic losses may be dismissed or put on probation. Salaries and bonuses will be suspended during the probation period but those workers will be compensated according to their work performance. This is an administrative measure which complements the economics of rewarding the hard workers and penalizing the shirkers.

4. Insist on maintaining and improving one's original line of business while permitting integrated operations. As the enterprises gain more autonomy a variety of operation formats are developed. On the whole integrated operations provide good service and good economic results. However, some units shift to profitable trades and abandon their original line of business, crossing over arbitrarily and changing businesses at will. If this practice is not stopped some needed trades will disappear, generating an undesirable mix of businesses and the people will be inconvenienced. Therefore, when enterprises integrate operations they must maintain the original line of business properly. Businesses which provide the people's daily necessities (grocery stores, food stores, and grain shops,) barber shops, public bath houses, repair shops, and restaurants may not change their line of business without permission.

5. Implement a comprehensive retirement fund plan. In 1983, the Ministry of Commerce, with the approval of the Ministry of Finance and the Ministry of Labor and Personnel, published a "Temporary Provisions of the Ministry of Commerce and Affiliated Departments for the Implementation of Comprehensive Management of Staff and Workers Retirement Funds." This provision has not taken effect anywhere and should be implemented. Small enterprises and collective businesses under authorized management should be included in the plan. Cities with established commerce committees may implement comprehensive plans which cover all businesses, grain sales, and marketing as well as food services (including collective businesses under authorized management). The Ministry of commerce should participate in those areas equipped to implement the type of social planning similar to those in Wuxi City.

B. Continue To Implement Reforms Converting State-Run Small Enterprises into Collective Operations

Decontrolling small enterprises to satisfy the need to be more flexible and to make things more convenient for the people is an important measure in commercial reform. State Council Document No 92 (1984) has made such provisions, but because of certain inconsistencies in the policy and the provisions, they have not been implemented. The main problems are: 1) State-owned small enterprises operated collectively are not deemed collective enterprises but retain the financial accounting system of state-run commercial enterprises and in fact are no different from regular state-run enterprises.

A 1985 estimate showed that for such enterprises the retained profit after tax and after deducting energy and transportation funds and construction taxes was 333 yuan per person, just enough to keep up with staff and worker bonus and welfare payments with no ability to expand. 2) Enterprises converted to collectively owned must repay all state-granted fixed-asset and working capital within 3 to 5 years, during which period a user's fee is charged as an after-tax expenditure. In fact these enterprises cannot afford the expense: 1985 estimate showed that this type of enterprises took out 224.88 million yuan in working capital and fixed capital. If one-half of the enterprise's developing funds are used to pay for the user's fee and repayments, it would take 30 years to repay the whole amount; within these 30 years the user's fee alone will amount to 350 million yuan. 3) Rental payments of small enterprises renting their business is an after-tax expenditure. These enterprises are usually small shops consisting of 3 to 5 people, their capital is small and profit is low. A 1985 estimate showed that the retained profit after taxes for this type of enterprises as a whole was about 10 million yuan; rental payment totalled over 7 million yuan, leaving only 2 million yuan, not enough even for worker bonus and welfare payments. These problems affect the decontrol of small enterprises; those that are decontrolled are unstable and there are some incidents of reversion.

The leading comrades of the State Council have instructed that policies toward small enterprises "should be even more lenient," and according to the decision of the Finance and Economic Leading Group, we must further define specific policies and sum up experiences to perfect those small enterprises that have already been decontrolled and speed up the decontrol of those not yet decontrolled. 1) Enterprises converted to state-owned but collectively operated should adopt the financial accounting system of collective enterprises and submit financial reports according to the original provisions. The contract fee should be reduced by half. One-half of the fee remitted will be made to the commerce department in charge to be used for subsidizing enterprises in financial trouble. The small enterprises to be converted to state-owned but collectively operated in the future should also abide by this principle. 2) Enterprises which have converted to collectively owned may make use of the fixed-asset and working capital granted by the state and make repayments according to the royalty payment provision; this payment is an after-tax expenditure to be made to the commerce department in charge. The repayment on fixed capital will be spent on new networks and facilities; repayment on working capital will be used as working capital of the new networks and outlets. The repayment period may be extended as needed, to be determined locally according to the ability of the enterprises to repay. The user's fee is waived during the repayment period. 3) Enterprises rented out to collectives or individuals should remit rental payments to the state-run commercial administrative department before paying taxes. These funds should be invested back in the businesses that submitted them and special funds should be used for the special purposes for which they were intended. Leases may be renewed upon expiration. Small shops located in remote areas or sparsely populated areas may be sold at a discount if the lessee has the ability to buy, and will be deemed individually owned businesses. 4) If a small enterprise is deemed a collective enterprise, any new asset will be considered collectively owned. Capital for expansion may be raised internally or externally by issuing stocks and dividends will be distributed according to

shares owned, following all regulations pertaining to dividend distribution of a collective enterprise. 5) Decontrolled small enterprises should sign a contract with the state-run administrative company specifying responsibilities. The small enterprises must register with the industry and commerce administrative department; after paying all necessary fees, the business may draw on the public accumulation fund and the public welfare funds according to fixed proportions and must not deplete such funds. Prior to full repayment, the enterprises' assets may not be transferred or sold. Business premises may be rebuilt or expanded but must remain business premises; switching to a new line of business or going out of business will require the permission of the commerce department in charge and the industry and commerce administrative department. 6) State-run administrative companies must make sure that small enterprises are in compliance with their contracts, supply them with market information and business consulting services, guide them toward those business and services most needed by society, assist them in perfecting their system, improving operations, nurturing personnel, and improving technology so that they will abide by the law, do business in a civilized manner, and offer quality services.

Service-oriented enterprises, such as barber shops, public bath houses, and food services (including state-run and decontrolled small enterprises,) may implement profit-sharing or surplus-profit-retention wage systems. Wages are before tax expenditure and excluded from bonus category. Concurrently, resume the 2:8 proportion in settling accounts with the finance department, that is, the amount of income tax paid by the enterprises which exceeds 20 percent will be returned by the department of finance and taxation to the commerce department in charge. Businesses which opt for surplus-profit retention will determine an appropriate retention percentage, since exorbitant income is not permitted.

Areas already implementing more successful policies need not change or adopt the above regulations pertaining to small enterprises and food services. Minority nationality regions and economically depressed areas may be more lenient in implementing these policies.

C. Put Wholesale Business System in Good Order; Develop Lateral Relations in Commodity Circulation.

After years of reforms, state-run commerce is beginning to break through the "three fixes" management technique and modify the monopolized wholesale system to allow the coexistence of multiple wholesale channels. Many large and medium-size retail enterprises are also engaging in wholesale business. However, internally state-run commercial wholesale business is still disorganized; the operating format has not changed and too many links still exist in the system. Further reforms must be implemented.

1. Encourage local factories to participate in wholesaling products. Industries are turning from manufacturing to production management and it is common for industrial enterprises to set up their own sales channels. They establish direct contacts with wholesalers and large or medium-size retailers in the sales areas, doing business directly. This eliminates unnecessary links, speeds up circulation, and produces better economic and social results.

Commercial wholesale enterprises in the sales areas should be encouraged to buy directly from factories in the production area and be given a free choice of factories to buy from.

2. Commercial wholesale enterprises in the production area must adapt to the new situation to become more management- and service-oriented, and adopt the principle of doing business and offering services at the same time. They should put to best use their integrated operation, better product circulation, and better information advantages. Wholesalers in the production area must meet the needs of the markets, manage local products vigorously, and offer commission sales, joint sales, joint operations, or consignment sales. Commerce in the production area must emphasize service when local factories wholesale their products directly. All commercial wholesale enterprises should penetrate markets throughout the country. Wholesale enterprises set up to handle different commodities must concentrate on their own trade. Sales and purchases of the planned commodities, and the transfer of manufactured goods for the nine remote border provinces and outlying districts will be arranged jointly by the state planning commission and the Ministry of Commerce. The plan will be handed down to the planning commission and the commerce administrative department in the production area and in turn will be handed down as directive plans in accordance with commodity marketing channels to be implemented by the commercial wholesalers and industrial enterprises in the production area. This reduces links and improves circulation of the planned commodities. Commercial wholesale enterprises in the production area should no longer deliver, financial quotas according to the old base figures but should calculate their income taxes and adjustment taxes according to the new conditions.

3. Set up trade centers and wholesale markets. Trade centers serve as multipurpose exchange grounds for the wholesale of social commodities; they are centered around urban areas and are central links in the development of lateral economic relations. Trade centers should emphasize the fact that they are accessible and service-oriented, and through commodity exchange conferences attract local and foreign industrial and commercial wholesale enterprises as well as state-run, collective, and individual retail enterprises and volume purchasers, and bring together the producers and the marketers. Trade centers are separate accounting units, they mainly offer a service but may also operate their own business in the interim period, that is, they are a service management type business. Trade centers should undergo consolidation and rectification, those establishments not living up to their names should not be allowed to stay in business.

Before the busy fall season, large and medium-size cities should set up wholesale markets for pork, poultry, eggs, vegetables, and other nonstaple foods, as well as wholesale markets integrating agrocommercial markets to serve as direct sales outlets and multichannel supply grounds for the producers. State-run and collective retailers and individual merchants as well as organizations, schools, enterprises, and other consumption units may purchase from these wholesale markets.

4. After the decentralization of the wholesale stations to the cities, wholesale companies should be set up according to the principle of "making fine differentiations between specialties" and these wholesale companies should also be managed internally, differentiating specialties. If two similar

state-run wholesale companies do business within the same city and their operations overlap, they must delineate clearly their separate market responsibilities. All wholesale companies must drastically modify their concept and ideology, their operating methods and workstyle. Local departments of commerce should not interfere with the everyday operations and activities of businesses to give free rein to the enterprises.

5. In the past 30 years, through their administrative and management abilities the provincial and prefectural companies dealing with manufactured goods have been very successful and have contributed much to economic construction and market arrangements. In accordance with the nation's trend and needs in restructuring the economic system, and based on the needs of a planned commodity economy to make best use of the urban centers, the State Council's Document No 92 (1984) has decided to decentralize the wholesale enterprises directly under the ministry, the provinces, and the prefectures, and eliminate all administrative type companies. During the last 2 years, enterprises have been put under a lower administrative level, but the provincial and prefectural companies linger on. Recently leading comrades of the State Council instructed that steps should be taken to solve this problem without further delay. First, suspend the original functions of the provincial and prefectural companies immediately. Second, within a set period of time, make suitable arrangements for the personnel. Third, during the interim period all expenses will be drawn from the business income of others at the same financial level. We must implement these instructions diligently. We can refer to the methods used in some areas whereby provincial and prefectural companies handling manufactured daily goods are abolished and converted into an internal organization within the commerce department or bureau. Special attention must be paid to make best use of the personnel: they can work for the organization, work in the economic entities, or work in another department. Personnel arrangements must be made in earnest, and the deadline may be set by the individual province and district. Retirements should be handled according to normal procedures. Enterprises will be disengaged from the provinces and prefectures and turned over to the cities. Statistical and financial reports originally handled by the provincial and prefectural companies must be delivered according to regulations without fail. There should be further efforts to make improvements. Wholesale enterprise and organizational reforms in the remote and border provinces and districts will be decided by the provincial and autonomous region governments based on their own commodity circulation characteristics.

D. Actively Experiment with New Forms of Commerce

In order to adapt to the rapid developments of the planned commodity economy, we must vigorously develop and promote lateral economic relations based on the enterprises, relations which emphasize commodity procurement and marketing as well as service, and are supported by the urban centers. Within the enterprises, towns and villages, and regions and departments, develop heterogeneous forms of integration between industries and commerce, between agriculture and commerce, between agroindustry and commerce and even among commercial operations and select the best form of integration according to circulation capabilities. This integration should base on the objective law of commodity circulation, on the principle of mutual benefit and

collective progress, and should be in the basic form of integration between enterprises as well as between production and marketing. Commerce departments at all levels must actively sum up the experience of lateral economic relations of commodity circulation and extend their correct guidance, encouragement, and support. This year begin experimenting with the following forms of commerce:

1. Experiment with and develop a form of commerce integrating manufacturing and commerce. Implement a system of joint operation under the principle of mutual benefits between the factories and the wholesalers in the production area, or between factories and wholesalers in the marketing areas. This reduces linkages and speeds up product circulation.
2. Experiment with setting up interregional and interdepartmental conglomerate enterprises integrating the manufacturing and marketing of durable consumer goods.
3. Experiment with interregional joint-operation forms of commerce. Initiate joint operation of production and marketing of nonstaple foods, such as pork, poultry, eggs, fruits, and vegetables, in the major production and marketing areas. This form of joint operation should be set up between city and county, or between two countries, or between two enterprises in the production and the sales areas. The higher level departments may participate in guidance and support but should not become another link in the operation. Joint operations would bring higher income to the farm workers in the production areas, stimulate production, and in turn would support the market areas more effectively.
4. Initiate and develop business integration between wholesale and retail enterprises. At present some large-scale retail and department stores have set up national commercial associations or economic associations of large department stores and retail enterprises. Because they have the advantage of joint action, they buy directly from the factories and implement a system of joint procurement and independent marketing in wholesale business. They exchange market informations and business management experiences, and develop a new lateral relation among themselves. This year large retail stores dealing in department store merchandize, hardware, jiaodian [0074 7193], household electrical appliances, manufactured chemical products, textiles, garments and nonstaple foods, may adopt this format. Small-goods and specialty retailers and self-service markets may also organize this type of joint operations.
5. Open more state-run commercial facilities to the public. During earlier reforms some commercial facilities, including warehouses, cold storages, cars, ships, special reserved routes, reserved docks, repair plants, product-quality-inspection facilities, and others have already been opened to the public. The results have been good. This year regional planning should be implemented so that concurrent with assuming the tasks of commerce and making improvements, the state should open more facilities to the public and offer quality service at a reasonable price.

The basis of experimenting with new forms of commerce is to stimulate business, especially large and medium-size enterprises. We must uphold the principle of mutual benefits and collective progress. Guidance should be enhanced to ensure that the needs of the nation's macroeconomic developments are met. Local conditions should be taken into consideration and suitable forms adopted based on differences in product characteristics and trade characteristics. Avoid overgeneralization and never take administrative measures that interfere. The present administrative type companies must not pretend to be joint organizations by merely hanging up a different sign.

In order to develop the lateral relations in commodity circulation, there should be free communications and no obstacles between the provinces and the district, among the large, medium, or small cities and between cities and villages. Guarantee enterprise autonomy and their right to determine their own sales and purchases, except where planned commodities are concerned.

II

There are 14.56 million staff and workers engaged in commerce and related areas, among these 4.65 million are older staff and workers and 9.91 million are young people, with 3 million of the staff and workers having high school or better education; this is an ideal age and educational structure. These workers and staff work long and hard and have contributed much to socialist construction and to the restructuring of the economic system. Undoubtedly the commerce contingent on the whole is good, but it lacks uniformity and quality. Some comrades look down on commerce, they are not satisfied with this line of work; some comrades lack revolutionary and pioneering spirit; some comrades infringe on the welfare of the country and the people, and a few even violate law and order and engage in embezzlement, corruption and bribery, smuggling, and trafficking. Therefore, an urgent task before us is to reinforce the structure of the contingent, improve its quality, rectify business worksytle, and improve the quality of services.

The leading comrades of the central government and the State Council have repeated their instructions, but because of our own failures we have not attained satisfactory results. Recently the CPC Secretariat again request that we investigate and study and draw up a definite program. We must investigate diligently, sum up the experience and bring out any suggestions for rectifying and enhancing the construction of the contingent. From now on we must concentrate on the following tasks:

A. Reinforce ideology and political work and launch ideological education emphasizing the need to serve the people. At present, many people are dissatisfied with the quality of service of business personnel and some business people are unhappy about it. Business people must first understand the importance of serving the people and act accordingly before people will admire them and respect their work. This is the focal point of ideological and political work.

B. Reinforce nurturing and training. Starting with the cities and counties, launch business ethics education and professional skills training to improve service and promote the practice of doing business and offering services in a civilized manner.

C. Enhance labor management. In business the attitude of the work force is reflected clearly in the quality of its service. This problem can be solved by emphasizing labor management. When bonus funds diminish, the economic means to reward the diligent and penalize the shirkers weakens. This year's standard of services will rely mainly on rigid political and ideological work. At the same time, rewarding the diligent and penalizing the lazy will depend on a combination of economic and administrative measures. Establish strict labor discipline. Exemplary workers and progressive personnel should be commended and encouraged; those who violate discipline must be penalized.

D. Gear yourselves to the needs of the grassroots and show concern for the welfare of the staff and the workers. Leading commercial organizations at all levels must serve the grassroots, the workers, and the staff, and look into their everyday problems. A practical and realistic set of policies and measures should be developed to solve problems, problems like daycare, food services, housework burden, and retirement funds. Integrate ideology and political work with the true concern for worker welfare and bring the workers' positive factors into play.

E. Banish the trend of unhealthy practices in commerce, practices which alienate the people, practices like arbitrary price increases, dishonest merchandizing, and selling public goods for private gains. Set strict standards in investigating and handling major and crucial economic crimes and emphasize the seriousness of financial and economic discipline.

F. Reinforce the formation of leading groups at all levels and install cadres who are diligent in ideology and political works. Concentrate efforts on insuring that ideology and political work produce results. Special attention should be paid to the construction of grassroots party organizations. Recruit party members according to the regulations of the party constitution; broaden the regulations of the regular activities of the organization, and manifest the role of the party organization as the fighting bastion and the role of party members as vanguards.

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ECONOMIC MANAGEMENT

NATION MOVES TO IMPROVE PATENT SYSTEM

New Regulations

OW021016 Beijing XINHUA in English 0805 GMT 2 Nov 86

[Text] Beijing, 2 November (XINHUA)--Drawing up new supplementary regulations, training more professionals and modernizing management are the main efforts China is making to improve its patent system, an official said here today.

Huang Kunyi, director of the Chinese Patent Bureau, told a national meeting on patent work that opened today that regulations governing the protection of patents of organic engineering, computer software, medicines, chemical materials and other advanced technology are being formulated to complete the country's patent laws.

China is also considering to participate in some international patent organization, he said. But he did not elaborate.

"Patent work in China is proceeding smoothly since its first patent law went into effect last April," he said, adding that the applications at his bureau this year could reach 17,000. He estimated that 3,000 more applications would be added in each of the next five years. By 1990, 80,000 to 100,000 applications will be announced and 30,000 to 40,000 certificates issued. [figures in sentence as received]

To keep up with this, Huang said, the Chinese Patent Bureau is to establish a nationwide computer system and a data center indexing all the international patents. And the bureau also plans to set up a training center for patent professionals in Yantai, a coastal city in East China's Shandong Province.

Though a nationwide patent work system containing judicature, administration and data service has been established, "yet much more work has to be done to perfect it," the director said.

Now China has 94 patent administrative offices and 300 agencies.

More Inventions Inspired

OW071104 Beijing XINHUA in English 0646 GMT 7 Nov 86

[Text] Beijing, 7 November (XINHUA)--The implementation of China's first patent law, which went into effect last April, has triggered several first-class inventions, an official said here today.

"Some of our patents are really great," said Shen Yaozeng, deputy director of the Chinese Patent Bureau. One important medical invention is a microcomputerized pulse regulator used in the treatment of coronary heart disease. "Devices of this kind now used in other countries are used internally and require an operation on the thigh to insert a half-meter long tube directly into the patient's artery, which is traumatic for the patient," the deputy director explained.

The Chinese one, invented by a professor in Guangzhou's Zhongshan Medical College, is used externally and needs no operation. Since its functions are computerized, the instrument is more sensitive to cardiac change. After more than 100 clinical tests, it has proved to be effective.

"Businessmen from Singapore and the United States have asked for transfer of the patent rights," Shen told XINHUA.

"China's patent law has also helped develop new varieties of existing products with innovative characteristics," he said, citing a car muffler patent which can reduce engine noise by ten decibels and oil consumption 5 to 9 percent.

According to Shen, car mufflers presently used outside China increase oil consumption while reducing noise.

Several new inventions have become foreign exchange earners. The East China Chemical College has developed an inexpensive substitute for a rare catalytic agent, which is being exported to the United States and could bring in two million U.S. dollars. The Federal Republic of Germany and Malaysia are also potential buyers.

As of the end of this September, the Chinese Patent Bureau has issued a total of 2,024 patent certificates, and experts speak highly of the new law saying, "it has helped tap people's initiative."

Huang Kunyi, director of the Chinese Patent Bureau said, "Much more work has to be done to perfect China's patent system in terms of laws, regulations, and advanced management."

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CSO: 4020/40

ECONOMIC MANAGEMENT

CONTROLS ON STEEL PRODUCTS DEALING RELAXED

HK051542 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Oct 86 p 3

[By Wang Xiangwei]

[Text] The Central Government has decided to loosen its grip on dealings in steel products in the current reform of the management of industrial materials.

Rolled steel used to be classified as "strategic material" that fell under the tight control of the state. On the list were also timber, cement, and chemicals.

In the new move, Beijing opened a material trading centre earlier this month to promote both spot and future trading of metals, electric machinery, automobiles, timber, chemicals and textiles. In the market, prices float according to demand.

Such trade centres will serve to smooth out the circulation of the commodities which have been confined within the state mandatory economic plans and gradually enliven the market for production materials," an official from the State Administration of Supplies told BUSINESS WEEKLY.

Though rolled steel has for a long time been in short supply, the centre now offers more than 6,000 tons for sale, together with 3,000 trucks, jeeps and cars. According to trade officials, some of the materials came from participating enterprises who, in a fear of shortages, had excessive stocks; others are supplied by manufacturers who, after fulfilling the state quota, got permission from the state to trade their surplus products for needed materials or for cash.

Ling Yuxun, director of the State Administration of Supplies, said that more than 400 such trade centres had been established in China.

To some extent, he said, these centres had helped ease the shortage of supply for coal and timber, too.

He said it was important to form the steel market which could serve as a breakthrough in the reform of the circulation of production materials.

In the old system, an enterprise which needed steel products had to wait for an allocation by the state while surplus steel products in other places were unavailable because of the prohibition on public trading.

That had given rise to a flourishing black market. Sometimes the steel products could be sold at several times the state price.

Meanwhile manufacturers of steel products took little interest in production of quality products which had to be sold at the fixed price set by the state.

"The only solution to these problems is to open the steel products market and let the products be traded on the counter," said an official from the Beijing centre.

According to the Beijing based newspaper METALLURGY NEWS, the shortage of steel products will be eased in the remaining two months of this year. Those used for building industry will even face sluggish sales because the state had taken strict measures to restrict investment in construction.

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CSO: 4020/40

ECONOMIC MANAGEMENT

RETAIL SALES FIGURES TREND BOOMING UPWARD

HK040855 Beijing CHINA DAILY in English 4 Nov 86 p 2

[By staff reporter Tian Ying]

[Text] China's retail sales enjoyed a boom in September and the trend is expected to continue through the last quarter of the year.

Retail sales reached 38 billion yuan (\$10.3 billion) in September, an increase of 20 percent over the same period last year, according to Zhang Yuansheng, Director of the Consumption Division of the Economic Forecasting Centre under the State Planning Commission.

The increase was due to a larger than usual market demand during the several holidays in the period, Zhang said.

Recent price increase on famous brand products, including bicycles and refrigerators, have stimulated purchases of some stockpiled brands. Demand for ordinary bicycles has gone up, Zhang noted.

Better salesmanship that has accompanied the economic responsibility system and the practice of leasing now allowed in commercial trade have also increased retail sales, the director said.

According to Zhang, the country's retail sales are expected to reach 49 billion yuan (\$13.3 billion) this year, a 12 percent increase over last year. "However, the consumer buying power has not been fully realized," Zhang said.

Many Chinese believe foreign commodities are superior. And many of these people have money in their pockets. But China's imports of durable products, including colour television sets and refrigerators, cannot meet the demand, Zhang said.

The best way to solve the problem, he said, is to improve the quality of domestically-made products and develop new varieties to attract buyers.

Zhang said that he does not expect the increasing purchasing power to become a pressure on the domestic market.

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CSO: 4020/40

ECONOMIC MANAGEMENT

COMMENTARY SAYS ENGINEER WRONGLY PUNISHED FOR 'MOONLIGHTING'

OW290908 Beijing XINHUA in English 0832 GMT 29 Oct 86

[Text] Beijing, 29 October (XINHUA)--Chinese enterprises must respect the government's policy of allowing experts to moonlight for extra money, the PEOPLE'S DAILY said in a commentary today.

The paper is responding to the case of a moonlighting engineer being punished by authorities of the Beijing Iron and Steel Complex in defiance of a ruling by an intermediate people's court.

The authorities are merely being "stubborn," said the commentary, but their perceived dignity must give way to government policy.

Early last year, Engineer Zhao Jianyun provided information and technological services to local enterprises which paid him 10,000 yuan (US\$2,700) in return, the paper said. But at the end of the year, complex authorities took him to the local court, which convicted Zhao of swindling and sentenced him to three years imprisonment with four years probation. Following the ruling, the authorities stripped him of his party membership, according to the paper.

Last May, the Beijing Intermediate People's Court reversed the decision of the local court and acquitted Zhao. Authorities at the complex, however, have rejected the court's ruling and are still punishing Zhao and issuing circulars charging Zhao as performing corrupt activities under the guise of providing technological and information services to the local enterprises, the paper said.

The case has become a popular topic in the city, but the State Commission of Science and Technology has clearly stated that moonlighting is acceptable, said the paper.

The government policy which allows experts to moonlight is one which "kills two birds with one stone," the paper said, adding, "for it taps the potential of the specialists and helps the small enterprises which are often technologically weak," the paper said.

"Those accustomed to the 'big pot' system are naturally jealous of the extra income of the specialists," the paper said.

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CSO: 4020/40

BRIEFS

SICHUAN BOOSTS OVERSTOCKED SALES--Since the beginning of this year, due to changes in the market, some industrial products of the province were seriously overstocked. To deal with this situation, the provincial people's government promptly adopted practical measures and resolutely readjusted the product structure to strive for producing marketable ones. Thus, the commercial departments at all levels strengthened their work of promoting sales by organizing trade fairs and exhibitions. At the same time, they made full use of the opportunity of the brisk autumn market and promoted the sales of industrial products in the rural areas. By the end of September, the province totally consumed the 1,100 tons of overstocked canned mushrooms and the 20 million tubes of toothpaste. The growth rate of black and white TV sets was so quick that its volume in stock has dropped back to the normal level. Sales of radios, white spirits, garments, shoes, washing machines, and cloth also became brisk. In key cities and the northwestern part of the province, the sales of motor vehicles was also invigorated. Therefore, the province has begun easing the situation of having seriously overstocked industrial products. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 23 Oct 86 HK] /12232

JILIN FACTORIES FOR DISABLED--Changchun, 25 October (XINHUA)--The Jilin Provincial Government has built over 870 factories in recent years, employing 17,000 disabled people, an official of the provincial Civil Affairs Department said today. This has brought the number of people classified as "disabled with capacity for physical labor" employed in the province to 96 percent, the official said. The disabled consider their social status and living standards greatly improved after being employed. Many of them have been awarded the title of "Advanced Worker" or "Outstanding Communist Youth League Member." Some were selected as municipal deputies. A disabled worker, Li Jiafu, has invented a detector for use in locating underground metal pipes which was greatly needed in this field in the country. At present, China's 15,000 welfare factories and workshops employ 230,000 disabled people. More than 70 percent of the handicapped people in urban areas have suitable jobs, and some cities, such as Dalian, Wuxi and Shijianzhuang, are employing nearly 100 percent of their disabled residents. State enterprises can enjoy tax breaks if they open welfare factories or workshops. [Text] [Beijing XINHUA in English 0825 GMT 25 Oct 86 OW] /12232

OFFICIAL REPORTS ON APPLICATIONS--Beijing, 1 November (XINHUA)--China has received 28,963 patent applications since its first patent law went into effect last April, an official said here today. Two thirds of the applications have come from Chinese government departments, universities or industrial enterprises. Almost 10,000 applications were received from 47

countries and regions. "The situation well illustrates that the patent law has not only helped kindle people's enthusiasm for creation and invention, but has also encouraged the importing of foreign technology," said Huang Kunyi, director of the Chinese Patent Bureau. Huang said, the Chinese Patent Bureau had issued, after examination, a total of 2,024 patent certificates as of the end of September. Statistics from the bureau show that about half of the authorized domestic patents are being applied in factories and enterprises and they've shown good economic results. A survey conducted by the Beijing Municipal Government reported that 75 patented products have produced profits of more than 14.2 million yuan (US\$3.8 million). The East China Chemical College developed an inexpensive agent for use in making pottery. The new method is being exported to the United States and could bring in US\$2 million. [Text] [Beijing XINHUA in English 1452 GMT 1 Nov 86 OW] /12913

CSO: 4020/40

FINANCE AND BANKING

BRIEFS

DRAFT CASHING, DISCOUNT SERVICE--Hefei, 26 October (XINHUA)--The industrial and commercial banks in the Shanghai Economic Zone recently have inaugurated trans-regional draft cashing and discount services, and thus facilitated the efforts of enterprises to invigorate their operations. [By reporter Chen Baoshan] [Excerpt] [Beijing XINHUA Domestic Service in Chinese 0049 GMT 26 Oct 86 OW] /12913

CSO: 4006/102

MINERAL RESOURCES

XINJIANG LEADERS INSPECT MINING BUREAU

HK171005 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 15 Oct 86

[Excerpts] On 13 October, Wang Enmao, vice chairman of the National CPPCC Committee and director of the regional advisory committee, and regional party and government leaders Song Hanliang, Tomur Dawamat, Janabil, Zhang Sixue, and (Jin Yuanhui) made a special trip to (Keketuohai) to conduct a two day inspection of the (Keketuohai) mining bureau under the Xinjiang nonferrous metal industry company. They fully affirmed the results achieved by the mining bureau in developing the nonferrous metal industry over the past few years, and encouraged the staff and workers of the bureau to exert continue efforts so as to make new contributions to the rapid development of the nonferrous metal industry in the region.

During the inspection, Wang Enmao, Song Hanliang and Tomur Dawamat visited in the rain the (Kelatongke) copper mine, the region's priority project during the Seventh 5-Year Plan and the region's largest nonferrous metal mine.

They also visited the (Keketuohai) hydropower station, the No. 1 mine and the mining site of the No. 3 mine under the (Keketuohai) mining bureau, the (Keketuohai) geological specimen office, the (Keketuohai) nonferrous metal general plant, and the (Keketuohai) aluminum plant: listened to work reports given by leaders of the Xinjiang nonferrous metal industry company and the (Keketuohai) mining bureau on the strategic thinking for developing nonferrous metal industry in Xinjiang: and fully affirmed the 24-character principle put forth by the (Keketuohai) mining bureau, namely, promoting the development of rare metal industry; vigorously developing the nonferrous metal industry; comprehensive use; in-depth processing; diversified operation; and raising economic results.

On the afternoon of 14 October, Wang Enmao, Song Hanliang, Tomur Dawamat and other leading comrades met with retired cadres, representatives of workers, and cadres above the section level in the (Keketuohai) mining bureau and spoke.

Comrade Wang Enmao also wrote some words of encouragement for the mining bureau: carry forward the spirit of working hard, develop the rare nonferrous metal industry, and continuously make new contributions to the building of national defense and economic construction.

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CSO: 4006/102

INDUSTRY

STATE SHOWS CONCERN FOR MAANSHAN STEEL OPERATIONS

OW050615 Hefei Anhui Provincial Service in Mandarin 1100 GMT 4 Nov 86

[Excerpts] Principal leading members of the State Planning Commission, the Ministry of Metallurgical Industry, and Anhui Province have jointly set up an office in Maanshan City. They have worked together to study how to solve major problems at the Maanshan Iron and Steel Company during the Seventh 5-Year Plan and the early period of the Eighth 5-Year Plan.

Liu Suinian, vice minister in charge of the State Planning Commission; Qi Yuanjing, minister of metallurgical industry; Wang Rulin, vice minister of metallurgical industry; Wang Yuzhao, governor of Anhui Province; Zhang Dawei, vice governor of Anhui Province; and other leading comrades recently made a special trip to Maanshan City to study the site for a 2,500-cubic-meter-large blast furnace for the Maanshan Iron and Steel Company, the wharf, the sintering plant, and construction along the river. They expressed approval of the Maanshan Iron and Steel Company's plan for promoting production during the Seventh 5-Year Plan. In June this year, the Maanshan Iron and Steel Company put forward its goal of producing 4 million metric tons of pig iron, 3.2 million metric tons of steel, and 2.67 million metric tons of steel material per annum by 1992.

At the joint office, the leading comrades of the State Planning Commission and the Ministry of Metallurgical Industry held that the Maanshan Iron and Steel Company's geographical conditions are quite good, and there is great potential for further development. As long as we work hard, the company has conditions for joining the ranks of 10 million-metric-ton-class iron and steel complexes. As to the problem of shortage of funds, it can be solved through obtaining loans, raising funds itself, or the issuance of stocks.

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CSO: 4006/101

INDUSTRY

AUTO INDUSTRY RESTRUCTURING TO BOOST CAPACITY

HK310303 Beijing CHINA DAILY in English 31 Oct 86 p 1

[By staff reporter Xu Yuanchao]

[Text] The Chinese auto industry is being restructured in a bid to increase the percentage of China-made vehicles on the road, according to the president of the China National Automotive Industry Corporation.

Although the plan has not yet received final approval from the central government, experts have deliberated over it for several months. It calls for merging 24 of the country's 39 major auto factories into three independent companies. The other 15 will be turned over to local governments.

The goal is to increase the industry's annual output to 2 million vehicles by the year 2000, five times last year's output.

Chen Zutao, the corporation president told CHINA DAILY yesterday that the three divisions will be centred in Jilin, Hubei, and Shandong provinces. Each will set its own production targets and will design and manufacture vehicles independently according to the needs of the market.

Last year China turned out 400,000 motor vehicles, of which 98 percent were trucks. This high proportion of trucks does not tally with the needs of the national economy and many remain unsold, Chen said.

Chen said that the proportion of heavy-duty vehicles above eight tons should be increased to 10 percent from the current 5 percent. Production of vehicles between five and eight tons should drop to 20 percent from 51 percent. The proportion of light and mini vans below three tons should be increased to 70 percent from the present 44 percent. This rearrangement will be finished in the next 15 years.

Thirty years ago, Chen recalled, the first China-designed motor vehicle was produced. The State put up 600 million yuan to set up the Changchun Number 1 Motor Vehicle Plant in Jilin Province with the aid of the Soviet Union. In following years, the state made more than 200 million yuan of investment in the plant, which became a mainstay in the country's auto industry and turned over 6 billion yuan in profits and taxes annually to the State.

Since the early 60's, China has developed its auto industry substantially relying on its own resources. But the industry is still backward. Production does not meet demand. The ability to develop new models is at a low level and quality is poor.

"Obviously," Chen said, "We need to introduce up-to-date technology and equipment. We also need to introduce management expertise from abroad."

He said that some large joint ventures are contemplated to manufacture vehicles for export, similar to the present arrangements with American Motors and Volkswagen of West Germany.

"If possible, we expect to establish new companies to produce passenger cars for the domestic market," he added. He estimated that motor vehicles production this year may drop to about 350,000 units compared with last year's 400,000.

Corporation officials said earlier that the reduction is the result of overstocking of imported passenger vehicles and of China-made vehicles, as well as of fuel shortages.

The State has decided to replace obsolete vehicles with new ones and the stockpiles of vehicles are expected to be reduced. Officials said that they are still optimistic about the prospects of the auto industry.

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CSO: 4020/40

INDUSTRY

GUANGDONG'S MAOMING OIL COMPANY DOING WELL

HK211129 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT
10 Oct 86

[Text] In the first 9 months of this year, the Maoming Petroleum Industry Company turned over a total of more than 430 million yuan as profit and tax to the state, the highest record for the same period of time in history. This 30 year-old enterprise imported a hydrogenation chlorination device from Japan in late 1982. With this equipment, the company had produced a total of 1.41 million tons of superior quality oil products by the end of August this year and turned over to the state a total of 284 million yuan as profit and tax, an equivalent of 154 percent of the total value that the state had invested in this set of equipment. Importing a set of paraffin production equipment from the United States, the company has raised its paraffin production potential and upgraded the quality of its paraffin products up to the requirements of the international market. The company can export over 10,000 tons of paraffin a year. The company has also invested over 70 million yuan to launch a project of overall technological transformation of its existing oil refining equipment. Now the company possesses an oil refining system with a complete range of processing means and relatively advanced technology, its annual crude oil processing capacity has been raised from 5 million tons to 6 million tons, and its variety of products increased from over 60 to over 120. The profit and tax turned over by the company to the state increased at an average rate of 50 million yuan a year in the last 3 years.

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CSO: 4006/101

INDUSTRY

BRIEFS

ETHYLENE PLANT PUT INTO PRODUCTION--After a period of examination and repair, the 300,000-ton-ethylene plant in Daqing City, which was built as a first-phase project, was put into normal production on the eve of the National Day. Thus, the Daqing Oil Field has established a large petrochemical production base including the industries of oil refining, chemical fertilizer, and ethylene. The large oil refinery with 5 million tons of annual processing capacity can turn out 26 products of 11 kinds, including fuel oil, lubricating oil, gasoline, fertilizer, and paraffin wax. The (Yuanhou) fertilizer plant can turn out 360,000 tons of synthetic ammonia annually, 480,000 tons of carbamide, and 110,000 tons of nitramine. The petrochemical production base has now accommodated more than 30,000 staff members and workers and had more than 50 large types of petrochemical industrial production equipment. After completely building the second-phase project of the ethylene plant, the petrochemical production base of the Daqing Oil Field will realize more than 3 billion yuan in annual output value and 1.2 billion yuan in annual profits and taxes handed over to the state. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 30 Sep 86 SK] /12858

UPGRADING QUALITY OF LIGHT INDUSTRY--Beijing, 6 November (XINHUA)--Upgrading the quality of household appliances will be the focus of China's Light Industry Ministry in the current 5-Year Plan period (1986-90), a senior official said today. The official said the ministry's factories produced 29 times more refrigerators and 31 times more washing machines in 1985 than in 1980. China is now the world's leading producer of electric fans and washing machines, he said, and is one of the leaders in production of electric boilers, refrigerators and irons. But the quality of its products is not as high as should be, said the official. It has to think more about quality and variety than about output to compete on foreign markets and meet the growing domestic demand for high-quality goods, he added. By 1990, he said, the ministry's refrigerators and washing machines "should be as good as any in the world"--and be made primarily with domestic parts. The official said 3 percent of all one year old Chinese refrigerators are defective enough that they have to be returned to factories--ten times more than are normally returned in developed countries. [Text] [Beijing XINHUA in English 1600 GMT 6 Nov 86 OW] /12913

CSO: 4020/40

CONSTRUCTION

MINISTER REVEALS PORT CONSTRUCTION PLANS

HK290154 Beijing CHINA DAILY in English 29 Oct 86 p 1

[By staff reporter Hu Sigang]

[Text] Shanghai--China's Minister of Communication Qian Yongchang said yesterday the country was putting greater efforts into port construction as an important step to speed up the nation's economic development.

The Minister said a total of 200 new berths would be built during the new 5-Year Plan starting this year. They include 120 deep water berths of above 10,000 ton class and 80 medium-sized berths of below 10,000 ton class.

"It is a strategic point in the country's economic construction," said the Minister, who is disturbed by the congestion in some Chinese ports.

"Harbour conditions in China are still comparatively backward. Their capacity, facilities and management can hardly keep pace with increasing demand," he said. "In the harbours of the developed countries, the berths are waiting for ships, while in China, ships are waiting for berths."

He expressed the wish that during this development China would like to draw on experiences abroad.

These remarks were in a welcome message to representatives from the ports of Shanghai, le Havre, Melbourne, Osaka and San Francisco at the start of a four day Friendship Port Seminar.

During the seminar which started in Shanghai yesterday the representatives will discuss the formulation of a strategic plan for 21st century's port development and links between port development and associated city or region development.

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CSO: 4020/40

CONSTRUCTION

CONSTRUCTION COMPANIES COMPETING IN WORLD MARKET

HK051544 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Oct 86 p 1

[By Shen Ji]

[Text] China's construction contractors have embarked on their eighth year in the world market amid concern that increasing competition between the various Chinese companies is damaging them.

Last August, the China Fujian Corporation for International Techno-Economic Cooperation won a \$627,000 bid in its debut in Hong Kong. Meanwhile, China National Complete Plant Export Corporation won an \$8 million project in Mauritania, the first for China there. And the China road and bridge Engineering Company won a \$23 million Sana-Tazez Highway renovation project in Arab Yemen, in conjunction with a West German company.

These are from a total of 452 contracts totalling \$899 million China won in the first eight months of this year compared with 3,467 contracts totalling \$6,074 million over the past eight years.

The government's target for this year is more than \$1,960 million but foreign trade ministry officials are apparently skeptical of the chances of meeting it.

In the shrunken market of recent years, contracts won by the top 250 international contractors have shrunk from \$129.9 billion in 1981 to \$81.6 billion last year.

The deterioration of the oil market has forced deeper cuts in the budgets of the oil producing countries, reducing both their project orders and their aid to other developing countries.

China has a firm foothold in the market for world contracts. Many companies have grown from being mere suppliers of labour, or junior partners in schemes to being independent contractors.

They have been active in 88 countries and regions in civil engineering projects involving communications, power and petrochemical plants, harbours and other water works and related schemes.

Chen Guanting, a foreign trade official, said: "Our consistent goal is to absorb advanced foreign technology and management in construction, boost domestic exports and accumulate funds for national development."

Faced with the decline of old markets, the Chinese contractors, which total 67, have stepped up efforts to find new ones and in the first six months of this year have broken into the Soviet Union, Vanuatu, Central Africa, and North and Latin America. They are concentrating mainly on the Third World where the Chinese built up a good reputation over almost three decades of Government-financed foreign aid projects up to 1979.

But as the long term strategy develops, there are other immediate problems. Ai Rusong, director of the planning department at the China International Water and Electric Corporation, said: "The priority at the moment is to strengthen the coordination between different domestic companies to prevent further suicidal competition."

Of the companies, 32 are attached to provinces, municipalities, and autonomous regions and the other 35 are run by ministries under the State Council.

The rivalry is such that in Guam last year there were nine Chinese companies fighting for one contract. And in Nepal, in 1984, on two separate contracts each worth \$20 million, the three top bidders were all Chinese who competed to force the price down, a contract company source said on condition he was not named.

He called for strong government coordination of the companies with each developing special areas of expertise. But this was rejected by representatives of various provincial companies at a seminar on overseas contracts in Lanzhou, Gansu province. They said only competition could bring vitality.

An official at the Ministry of Foreign Economic Relations and Trade, which deals with this contract business, said: "As international competition is inevitable, competition among Chinese companies is normal. Winning a contract is better than missing it. Loss-making is acceptable if you want to break into a new market."

He said measures would be taken to curtail the present level of competition, which was abnormal. Cooperation and specialisation would be encouraged. Contract experts said this would curtail the present level of competition, which was abnormal. Cooperation and specialisation would be encouraged.

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CONSTRUCTION

OFFICIAL DESCRIBES SHANGHAI'S EXPANSION PROGRAM

OW270350 Beijing XINHUA in English 0249 GMT 27 Oct 86

[Text] Shanghai, 27 October (XINHUA)--A general program for Shanghai's municipal expansion has been developed which will make this city, China's largest, an even more important economic and financial center as well as an open, multi-faceted city, said an official here today.

Tan Qikun, of Shanghai's Municipal Construction Program Committee, said, the plan is a comprehensive one that includes forming a network in the central city, rural towns on its outskirts and rural market centers.

The expansion of seven industrial satellite cities is expected to be the main project, with the focus on Jinshan, on Hangzhou Bay, and Wusong, on the south bank of the Yangtze River. The two places will be built into cities with factories, foreign trade companies, ports and travel services, based on the petrochemical plant and the Baoshan steel plant--two major industrial enterprises in China, the official said.

The development of Pudong District--an area on the east bank of the Huangpu River with large tracts of undeveloped land--is another main project in the plan. It includes the development of Lujiazui, facing the bank across the Huangpu River, and the construction of a river garden and a 400-metre-high TV tower, the highest structure in the city.

Four tunnels across the Huangpu River and two bridges over the river will be built.

Also on the construction list are seven subway networks and some freeways and pedestrian overpasses. Communication lines composed of railways will stretch to the south bank of the Yangtze River from Hangzhou Bay to link the central part of the city and its major satellite cities.

"When the plan is implemented, traffic jams in my city will be greatly reduced," said Tan.

Housing construction has been given top priority in the program. Resident buildings with a total floor space of 67 million square metres will be built.

"That means every family in Shanghai will have a suite consisting of bedrooms,

a living, room, a kitchen, a balcony and a bathroom: the living area for each person will increase to 8 square metres from the present 5 square metres."

The program said the population of Shanghai is expected to be confined to 13 million before the year 2001.

After 2 years of construction, Hongqiao and Minhang, two economic and technological development areas on the outskirts of Shanghai, have taken shape, including the construction of joint-venture factories, hotels and apartments for foreign businessmen.

The railway station, airport and wharf are also under reconstruction and expansion.

The program has been designed by thousands of experts who started work in 1979.

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CSO: 4020/38

CONSTRUCTION

BRIEFS

LIAONING PORT'S CONSTRUCTION--Shenyang, 30 September (XINHUA)--Construction of a new port in Liaoning Province has begun with the approval of the State Council, China's highest governing body. The Jinzhou Port at the western Liaodong Bay of the Bohai Sea will be the third largest in northeast China encompassing three provinces, which are China's major industrial centers and agricultural producers. The first phase of the project includes two berths for 10,000-DWT oil tankers and three for 10,000-DWT sundry ships, and the port will be able to handle 4.5 million tons of cargo a year upon completion in 1990, a project official told XINHUA today. Jinzhou City, population 4.5 million, is a major petrochemical and electronic industrial center in Liaoning, and an important distribution center of agricultural products for the northeast. The new port will facilitate the opening of the northeast to the world, the official added. [Text] [Beijing XINHUA in English 1715 GMT 30 Sep 86 OW] /12232

GOOD PROGRESS ON KEY PROJECTS--Beijing, 17 October (XINHUA)--China's 190 key projects have been going on smoothly and at a faster-than-last year speed because the state has concentrated financial efforts, a state Statistical Bureau official said here today. Construction for the first 9 months this year cost 16.5 billion yuan, 65 percent of the annual quota and an increase of 2 billion yuan over the same period last year. The six major oilfields at Daqing, Liaohe, Huabei, Shengli, Zhongyuan and Xinjiang completed drilling footage totalling 8 million meters and added oil production capacity of nearly 63 million bbls, fulfilling the annual quota by 80 percent. The 15 major coal mines completed tunnels totalling 140,000 meters, fulfilling 75 percent of the annual target. Of the power projects with a total generating capacity of 5 million kilowatts being built this year, eight generating units with a combined generating capacity of 860,000 kilowatts have gone into operation and the rest are being installed or in trial operation. Tracks were laid on 300-kilometers of trunk railways between January and September this year, and 70 percent of the investment in construction of 12 transportation projects were used during this period. The official said the 10 deep water berths under construction are expected to go into operation on time. [Text] [Beijing XINHUA in English 1556 GMT 17 Oct 86 OW] /12232

CSO: 4020/38

FOREIGN TRADE AND INVESTMENT

MOFERT OFFICIAL ON DEVELOPMENT OF FOREIGN TRADE

Hong Kong TA KUNG PAO in Chinese 18 Sep 86 p 11

[Interview with Wang Pingqiang, vice minister of foreign economic relations and trade, by TA KUNG PAO reporter in Beijing: "China Is Doing Well in Foreign Trade"; date of interview not given]

[Text] The 60th China Export Commodity Trade Fair will open in the middle of next month. Our reporter interviewed Wang Pingqiang [3769 0756 3237], vice minister of foreign economic relations and trade, in Beijing and put to him a number of questions about China's foreign trade that readers are interested in. Below are the contents of the interview:

A Good Start In Foreign Trade This Year

Question: Vice Minister Wang, would you please begin by discussing China's foreign trade situation this year? What significant impacts will plunging oil prices have on China's exports?

Answer: Oil is one of China's major exports and accounts for about one quarter of its foreign exchange income, so the effects of the collapse of oil prices on the nation's exports are obvious. On the other hand, the steep decline in oil prices also means substantial savings for oil-importing nations and boosts their purchasing power. The result is a more favorable international market for our other exports. Moreover, since we mounted an export drive early and vigorously enough and applied the right policies and measures, we managed to maintain a growth momentum even as foreign exchange earnings from the sale of oil has dropped sharply. Trading in commodities other than oil has been brisk, with substantial increases in both exports and foreign exchange, thus offsetting the negative consequences of the deep decline in oil prices. According to our ministry's statistics, exports in the first half of this year amounted to \$12.8 billion, up 13.7 percent over the same period last year. The value of import shipments was \$14.04 billion, 2.7 percent lower than a year ago. The trade deficit narrowed to \$1.24 billion, compared to \$3.16 billion for the corresponding period in 1985. We can say that China's foreign trade was off to a good start this year. It is a gratifying situation.

However, we must also open our eyes to the fact that as the world economy slowed down this year, competition in the international market has become even

more heated and protectionism has aggressive. To fulfill and over-fulfill the 1986 export plan remains an arduous task. We must do a solid job and seize all favorable opportunities to breathe life into trade and make it a success.

Manufactured Goods A Shrinking Share of Total Exports [as published]

Question: Can you tell us some of the characteristics of the development of China's foreign trade in the first half of this year?

Answer: We can look at the characteristics of China's foreign trade in two ways. On the export side, the most salient point is that because of the slump in oil prices and the reduction in oil exports, foreign exchange income from oil fell precipitously compared to the same period last year. Meanwhile, foreign exchange earnings from other commodity exports rose 38.9 percent over the period a year ago, an increase margin so big that it is unprecedented in recent years. The export commodity mix has also changed in satisfactory ways: the proportion of manufactured goods as a percentage of the mix has gone up, and light industrial products, textile goods, agricultural byproducts, and native, local produce have become even more prominent as our staple exports. Apart from these exports, other exports which experienced an upsurge in the first half of 1986 were arts and crafts, mineral products, machinery, and equipment. On the import side, we have considerably adjusted the import mix in light of the demand of economic development during the Seventh 5-Year Plan. While we increased such imports as new technical equipment, single pieces of machinery and apparatus, rolled steel, industrial chemicals, chemical fertilizers, pesticides, and other means of production, we drastically cut back on the import of daily articles like domestic electrical appliances and cars.

Push for Countertrade

Question: China began paying attention to countertrade in recent years. How is it shaping up?

Answer: Countertrade is a form of trade that aims to expand exports and open up markets by combining exports with imports and using imports to drive exports. Barter trade, compensation trade, and entrepot trade are some of the most common forms of countertrade today and occupy an important position in international trade. In order to increase exports, foster economic and trade intercourse with countries around the world, strengthen our economic and trade cooperation with Third World nations, step up South-South cooperation, and improve our trade imbalances with some countries, China in the past few years has looked at countertrade closely as a means of developing its export trade and been working on it systematically in a planned and guided way. As a result, countertrade has been growing very rapidly. MOFERT statistics show that from 1979 through the end of 1985, compensation trade raked in more than \$1 billion in foreign funds while barter trade, which began in May 1985, expanded quickly and was worth \$820 million in late 1985.

It must be pointed out that China is a developing nation. Its policy of opening to the outside world and promoting foreign economic relations must rest on rising exports and an enhanced ability to make international payments.

That is why we must use all forms of trade, including countertrade, and do business flexibly to step up exports.

Parallel Goods Under Control

Question: Early this year China decided to impose a quota and permit system on 235 types of commodities exported to Hong Kong and Macao. Has it worked? What is the new direction of trade between the interior and the Hong Kong-Macao region this year? Has the flood of "parallel goods" ended?

Answer: The Hong Kong and Macao region is one of China's leading markets and sources of foreign exchange. It is also an important entrepot center for our imports and exports, so we attach a good deal of importance to Hong Kong and Macao trade. In recent years, the flood of parallel goods for a time disrupted our trade with the Hong Kong and Macao region, caused heavy losses in the government's foreign exchange income, and hurt the interests of distributors of Chinese goods in Hong Kong and Macao. To stop the flow of parallel goods and enable normal bilateral trade to develop healthily to the benefit of the region's stability and prosperity, we have taken a series of steps including the application of a quota and permit system for 235 types of exports to Hong Kong and Macao. These measures have achieved tangible results. As far as some major commodities are concerned, the flood of parallel goods has basically been checked. Our exports have gradually been stabilized, with both sales volume and prices picking up along with a marked increase in foreign exchange earnings. Trade between the interior and the Hong Kong-Macao region has expanded rapidly. In the first half of 1986, our trade with Hong Kong stood at \$4.72 billion, a gain of 11.4 percent over the corresponding period in 1985. Of the total, exports made up \$3.36 billion, up 58.1 percent compared to the same period last year. Bilateral trade with Macao amounted to \$170 million, 66.2 percent more than the corresponding period a year ago, of which exports constituted \$135 million, up 51.8 percent.

We beefed up control in order to protect normal bilateral trade with the region, safeguard the stability of this traditional market, and be able to export in an orderly way in accordance with what the market can absorb and wants. To make it easier for enterprises to apply for export permits, we have simplified procedures and give special consideration to the two provinces of Guangdong and Fujian and to the special economic zones.

International Market Favorable to China

Question: You played a leading role in the trade fair on many occasions in recent years. Can you tell us what the function of the trade fair is in the development of the nation's foreign trade and the new features of the latest trade fair?

Answer: The trade fair is a major arena where China can further its foreign trade and is its only comprehensive, large-scale export commodity trade fair. In the last couple of years, business concluded at the spring and autumn trade fairs each year accounted for about one-fifth of China's exports for the year concerned, while total volume of sales achieved at successive trade fairs constituted about one-quarter of the nation's overall exports for the period in question, so the fair plays a pivotal role in the development of China's

foreign trade. During his inspection tour of the fair in April last year, General Secretary Hu Yaobang wrote the inscription, "The Canton Trade Fair promotes mutual benefit around the world," which succinctly sums up the fair's achievements and the thrust of its endeavors.

As China's foreign trade grew, the scale of the trade fair has also expanded considerably. The 59th fair last spring drew 26,000 businessmen compared to 1,200 who attended the first fair in 1957. The number of visiting delegations has increased from 8 to 15, while the types of commodities on display rose from 12,000 to 50,000 and total sales amounted to \$3.24 billion, up from \$87 million. A large number of import deals have also been made. The trade fair has become a preeminent international trade gathering famous the world over.

The autumn trade fair this year, the 60th such gathering, takes place at a time when things are getting better. For one thing, our policies and measures to encourage exports have stimulated the initiative of export enterprises. All sectors and localities now devote much attention to the development of exports and there are more sources of exports, which should strengthen the material basis for export expansion. For another, the recent adjustment in the exchange rate of the renminbi has made our commodities more competitive and more advantageously positioned in the international market. I hope that all trade delegations will make full use of these favorable conditions and, even as they present a united front to the world, which is fundamental, adopt flexible and diverse methods to clinch as many deals as early as possible in an all-out effort to maximize foreign exchange earnings for the government. At the spring fair this year, a number of foreign trade companies initiated horizontal economic linkages and expanded exports by exploiting their respective strengths. This is a positive experience that the present fair must perpetuate in order to do more business.

Finally, on behalf of the Ministry of Foreign Economic Relations and Trade, let me extend a most cordial welcome to foreign businessmen attending the trade fair. May it be a great success.

12581

CSO: 4006/89

FOREIGN TRADE AND INVESTMENT

BRIEFS

VEGETABLE EXPORTS--China's specialty vegetable products have been exported to over 100 different countries since 1984 and on average have brought in \$500 million per year. This represents a 1.5 fold increase over 1980. Canned vegetables account for 50 percent of the specialty vegetables exported and among them canned mushrooms and ketchup have been particularly well received in both domestic and foreign markets. Key foreign markets for these products are Japan, the USA and Southeast Asia. [Excerpts] (Beijing ZHONGGUO SHANGYE BAO in Chinese 7 Oct 86 p 1)

CSO: 4006/94

LABOR AND WAGES

REGULATIONS ON USING RETIRED TECHNICIANS ISSUED

OW241331 Beijing XINHUA Domestic Service in Chinese 0247 GMT 21 Oct 86

[Text] Beijing, 21 October (XINHUA)--To enable retired technicians in various specialized fields to work for China's four modernizations program, the general offices of the CPC Central Committee and State Council recently distributed the "Provisional Regulations on Giving Play to the Role of Retired Technicians in Various Specialized Fields."

These provisional regulations had been worked out jointly by the Organization Department, Propaganda Department, and United Front Work Department of the CPC Central Committee, the State Science and Technology Commission, the Ministry of Labor and Personnel, the China Association for Science and Technology, and the PLA General Political Department and had been approved by the Secretariat of the CPC Central Committee and the State Council.

The provisional regulations state: In supporting and helping retired technicians to continue to play a role, we should proceed from the needs of our work and their actual conditions. We should also adhere to the principle of respecting their wishes and using them in accordance with their capabilities, and should adopt various methods in doing so. All units may employ retired professional technicians to do specialized technical jobs, such as academic lecturing, translation, research guidance, personnel training, technological development, and technological consultation, according to their respective needs. In general, however, no retired technicians should be employed to fill leading administrative or technical positions. If their services are used for medical, construction design, or other specialized technical work involving personal safety or major technological and economic responsibilities, the regulations promulgated by the competent authorities concerned should be complied with. As for those professional technicians who have retired from party and government organs and wish to work with enterprises, engage in commercial activities, or start their own business enterprises, the pertinent regulations promulgated by the CPC Central Committee and the State Council should apply.

According to the provisional regulations, when retired professional technicians are employed to do specialized technical work, they may be paid for their services while still receiving their retirement pensions and enjoying the welfare benefits they deserve. If their personal income exceeds the taxable minimum, they should pay tax according to law. When retired

technicians are required to take part in activities sponsored by specialized academic organizations or in other scientific or technological activities, their travel and other expenses should be reimbursed by the units sending or inviting them to take part in such activities in accordance with the pertinent regulations. Retired technicians who have been employed to work in other places may retain their household registrations at their original domiciles. Industrial accidents causing injury to retired technicians while they are employed by units other than their original units should be handled by the former in a proper and responsible manner according to their own measures for treating personnel.

The provisional regulations stipulate that retired technicians in various specialized fields continue to play a role and that favorable conditions and conveniences be provided to enable them to do so. They should be allowed to use the library facilities of their original units. However, if their work for other units requires them to use equipment, tools, materials, or unpublished technological data and drawings of their original units, approval should be obtained from the original units, and fees paid in accordance with the related rules. Those retired technicians who have made remarkable contributions in doing their work should be given commendations and rewards. If their achievements in science and technology meet the qualifications for national natural science awards, invention awards, and advanced technology prizes or the standards for other awards, the employing units should file applications on their behalf to the authorities concerned.

The provisional regulations call on retired technicians in various specialized fields to set an example by complying with state laws and decrees, implementing relevant policies, carrying forward fine traditions, laying stress on work ethics, and safeguarding the technological and economic rights and interests of their original units as well as their new employing units. Meanwhile, party organizations, propaganda, and united front work departments at all levels, science and technology commissions and labor and personnel departments at all levels, and all associations for science and technology are requested to strengthen cooperation in studying and resolving related policy questions and realistic problems and in creating favorable conditions so that retired professionals may continue to play a role.

/12913

CSO: 4006/102

LABOR AND WAGES

BRIEFS

CONGRESS OF SELF-EMPLOYED WORKERS--The First Congress of Fujian's self-employed workers opened in Fuzhou today. A total of 214 deputies were elected from among 450,000 self-employed workers in the province to attend this Congress. Leading comrades in Fujian Hu Ping and Hu Hong attended and addressed the Congress. Comrade Hu Hong said: The convocation of this Congress reflects the common aspiration of all self-employed workers and the concerns of the party and government over these workers. You should be respected by people of all walks of life in society. In his speech, Governor Hu Ping fully reaffirmed the role of self-employed workers in promoting the circulation of commodities and developing the urban and rural economies in Fujian. He said You have a bright future. The various departments concerned will support and protect you and what you are doing, according to law, so that you are able to serve society. Governor Hu Ping called on all self-employed workers in the province to unite as one, to improve their methods of management, and to make a contribution to developing the two types of civilization. [Text] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 21 Oct 86 OW] /12913

CSO: 4006/102

TRANSPORTATION

REGULATIONS ON DEVELOPING TRANSPORTATION

OW2711111 Beijing Domestic Service in Mandarin 1200 GMT 24 Oct 86

[Text] With the State Council's approval, the State Economic Commission, together with the State Planning Commission, the Ministry of Finance, and six other ministries and departments, recently drew up provisional regulations governing the development of transportation and communication industry.

The regulations point out: Communication and civil air transportation departments at all levels should speed up their work in separating government administration from enterprise management. They should concentrate their efforts on air transportation management and planning, and on guiding the development of transportation industry. All localities and departments should create favorable conditions for the separation of port administration from shipping companies, airport administration from airlines, and motor vehicle station administration from highway transportation companies. All sea ports, river ports, motor vehicle stations, and civil airports, including airports for both military and civilian use, should cater to the needs of society and provide service to all ships, motor vehicles, and airplanes engaged in transportation business, and charge their customers with a certain amount of fees.

The regulations state: In addition to state investments, all localities, departments, and enterprises concerned, as well as the masses, are encouraged to raise funds to develop transportation and communication industry. Utilization of overseas Chinese and foreign funds for this purpose is also encouraged. These funds may be used for dredging waterways, constructing highways and airports, and developing post and telecommunication industry.

The regulations reiterate the policy of pooling efforts of the state, collectives, and individuals for developing transportation industry, and the policy of developing a balanced land-water-air transportation system.

The regulations also stress rational distribution of transportation tasks among various transportation sectors. The regulations state: Railways should undertake the main task for long- and medium-distance transportation

of passengers and of large quantities of goods. Highways should undertake the responsibility of medium- and short-distance transportation. Rivers and sea coasts should be fully used for water transportation while civil air industry should be developed mainly for long-distance passenger transportation while making positive efforts to develop cargo transportation.

/12858

CSO: 4006/101

TRANSPORTATION

BETTER DESIGNS, LOWER COSTS URGED FOR HIGHWAY BUILDING

Beijing GONGLU [HIGHWAYS] in Chinese No 5, 25 May 86 pp 3-5

[Article by Bao Zhongyue [7636 6988 1471] of the Highway Bureau of the Ministry of Transportation: "Raise the Level of Design and Lower Construction Costs"]

[Excerpts] The highway transportation system is still a weak link in China's economic development. In order to change this situation, the acceleration of the pace of highway construction is necessary beyond a doubt. At the recent National Conference on Transportation Work, it was pointed out that by the end of the Seventh 5-Year Plan, total highway mileage in China is to reach 1 million km, standards for highway quality are to be raised, total mileage for highspeed, grade on highways is to reach 1,800 km and other grade highways will increase to 680,000 km. Highway construction has entered upon a new stage of development. The CPC Central Committee and State Council are paying close attention to these developments and the leadership comrades from the Central Committee have issued numerous directives concerning highway construction problems. Recently, there have been certain important, policy-level measures relating to funding sources for highway construction, such as, charging a vehicle-purchase tax, appropriately raising road maintenance taxes, reiterating the policies of the masses constructing and repairing roads with government assistance, levying charges to repay funds amassed to construct expressways, large bridges, and tunnels using credit or raised funds, etc.

However, China's economy has just begun to take off. The state's finances are limited, and financial and material resources are insufficient to meet the input needs of highway construction. Therefore, in addition to the above methods and measures to raise funds, much more could be done in areas of design, operations, and management to raise quality and lower building costs, to use our limited funds precisely where necessary to construct as many highways as possible, to do a good job of the management of both new and previously constructed highways and obtaining the most economic returns possible on our investment. All these areas have a great deal of potential that should be maximized.

Engineering design is the first and foremost key to the successful construction of highways. The selection and implementation of the most technically

advanced, economically rational, most easily realized ideal design plans are for the purpose of building a reliable foundation for future work. In this article I will briefly present my views on the problem of how to improve the level of highway design from the approach of maximizing design potential and lowering construction costs.

1. Study and Use New Theories of Design, Raise Highway Construction Standards to a More Advanced Level

Standards and criteria form the basis for engineering and construction. To a great extent, the economic rationality, safety, and suitability of a project's structure are determined by whether or not the newest S&T achievements have been used in the setting up of standards. Due to their nature as technological laws and regulations, their guiding role over the entire industry and their reflection of the scientific level of the industry, standards are significant throughout the entire course of construction. The effect of getting a handle on standards is far greater than merely concentrating on one highway or bridge. This self-evident fact is, however, frequently ignored. For example, in the past, the allowable stress method based on the theory of flexibility had always been used in design norms for bridge structures in China. This method was not, however, suited to the realities of structural work. In 1985 revised design norms for bridges and culverts were promulgated using maximum standards indicated by factors often used in safety coefficient (with the exception of steel structures), which represented a step forward in design theory. It not only increased the rationality of design, but led to a savings of approximately 5 percent in materials in all situations given the same conditions. This would be translated into considerable economic returns for the entire industry or large-scale projects. Another example would be the more than 300 standard and universal bridge charts we issued in 1.4 million copies. These charts meet design standards, are highly technical and adaptable and have utilization rates of 80 to 90 percent; thus they have greatly enhanced design effectivity, have ensured the meeting of project schedules and of fulfilling quality norms, and have garnered a remarkably large amount of economic returns. Thus, the great potential for the study and use of advanced design theories and methods to economize on investment and materials via the adoption of economically rational designs can be seen.

In the past few years, nearly 40 sets of highway construction standards in China have been or are being devised and revised, forming a preliminary independent system. Our road-surface theory is approaching international standards, which has created a good foundation for highway design and construction. However, at present our standards still lag behind international levels both quantitatively and qualitatively. For example, since the 1970's, the structural limit design taking the probability theory as its base was already being applied abroad and was becoming the theoretical base for many countries and international organizations in setting structural standards. In comparison, although our newly devised bridge design standards represented a step forward, they were still far removed from advanced international levels. In addition, as regards "structural reliability" studies, our highway departments not only lag behind international levels, but behind other sister industries within China itself. In addition to this, the

renewal cycle for the creation and revision of various standards in China has been excessively long, sometimes decades in the past. Due to the effect of scientific experiment and funding conditions, development pace does not at present meet practical demands. Also we have not yet attained the goal of "xingcheng xilie" [literally forming series]. Recently insufficient attention has been given to standards due to departmentalism regarding economic returns. This lack of an overall viewpoint is quite harmful.

Given the above situation, we must further work on and perfect the renewal of highway construction standards, both in their creation and their revision. We must constantly review our experiences and conduct scientific research to elevate experience to the theoretical level. Critical problems require that the appropriate departments organize their forces to attack them, make breakthroughs and promptly put results into application via experiment and practice. The design, research, and construction departments, universities, and technical schools must make an effort to cooperate to achieve results within the shortest time. Only by more rapidly improving standards can a good balance in safety, utility, durability, and economy in the construction structure of the entire industry be achieved.

2. The Use of the Most Advanced Surveying and Mapping Methods Will Ensure Quality in Design

In only a few units or for a few individual routes and projects are China's highway departments utilizing advanced surveying and mapping methods such as aerial photography at present, and their utilization is not comprehensive. Most units still use the old methods and types of equipment used in the 1950's. We have only just begun to use electronic co-puters to supplement our design work. Surveying and mapping of highway routes and structures basically rely on manual work, which is energy- and time-consuming, difficult, and not really of the most ideal quality. If we wish to obtain scientifically advanced, economically rational designs, we must resolve to improve our work in the surveying and mapping stage. In addition, the development of design theory and its application rely on advanced surveying and mapping (testing) methods and technologies.

Of course it is not easy to answer the question of what advanced equipment should be installed and utilized nationwide. However, we must make comprehensive dispositions, energetically import in a planned fashion and strive to organize human resources to assimilate, absorb, reproduce, and innovate. For example, in importing computerized supplementary design systems, we must genuinely engage in secondary development of applicable software and innovate and create applicable programs suitable to the conditions in China. At the present time, the development and utilization of miniature computers is extremely worthwhile. As they are lightweight and easy to use on a widespread basis, their use should be promoted all throughout the highway sector.

3. Pay Attention to Economic Analysis and the Rational Stipulation of Highway Technology Level

The stipulation of highway technology level and the selection of technical standards for projects have a great effect on investment effectiveness in construction. The degree of rationality in this regard is determined by economic and technological analysis.

4. The Active Use of New Materials and Procedures in Designing

The level of design theories and methods and of construction materials and procedures both spur on and limit each other. For example, the development of high-tensile steel and stretch-draw equipment has spurred on progress in prestressing force theory and procedures, enabling prestressed structures to gain a position of prominence in the construction process, thereby leading to the development of "xie zhang" [possibly skew] bridges and their transformation into one of the most rational forms of long-span bridges. The widespread use of asphalt has advanced the establishment and development of soft road surface theory in China. The above-mentioned probability limit design theory in construction structure is making bridge design more economically rational, safe, and practical, but this requires strict quality control over materials and components throughout construction. In short, it will always be difficult to apply even the most advanced designs without the appropriate construction materials and techniques.

At present, highway construction in China is limited to varying degrees, by backward materials and construction processes. For example, we can design various types of bridges of all sizes, but lack the insurance of up-to-snuff materials and construction techniques. High-tensile concrete exists in strengths of up to 600 to 1,000 kgf/cm²; low-alloy strengths have reached levels of 80 kgf/mm²; high-grade zinc-plated steel wire have strengths of 150-170 kgf/mm²; prestressed skew bridge spans abroad have reached lengths of 440 meters, while steel-frame, concrete arch bridge spans are as long as 390 meters. Concrete bridges in China can only reach actual strengths of 500 kgf/cm²; low-alloy steel strengths is 36 kgf/mm², and these materials are still not in abundant supply. Due to the poor supply of asphalt and concrete, asphalt and concrete roads account for only approximately 20 percent of total road surface in China. Greatly developing the construction materials industry and improving construction processes and equipment are urgently needed in the implementation of design rationalization. This will require the support and coordination of the leadership departments and the cooperation and assistance of the production and construction sectors.

In the past few years, emulsified pitch has been produced and used in a number of places to lay road surface, which saved on fuel, was easy to use, and length great reductions in construction costs and environmental pollution. This is also a noteworthy development. From this it can be seen that by making full use of the potential of available materials and equipment, high-quality, economical projects can be carried out. This requires the strengthening of lateral relations between all the departments and the support and cooperation of the leadership sector to effectively deal with and resolve problems of production and supply, such as difficulties encountered with the production

of the above-mentioned low-alloy coarse reinforcing bar, the lack of specialized factories for the production of emulsified pitch and related equipment, the inability of the small-scale production style currently in use to meet needs and of the impossibility to guarantee the meeting of quality standards.

5. Improve the Design System, Implement Bidding in Project Design

The overall economic reform is an effective measure in accelerating the pace of highway construction. Highway surveying and design must develop in the direction of businesslike operations and socialization. The use of bidding for project designs is an important development in the reform. In the past, design work was assigned by supervisory organs and competition was absent. Bidding for design work is now being conducted at test sites where good results have been obtained. All that remains is the review of experiences and energetic promotion.

In short, the reduction of highway construction costs is a necessary, vital measure in highway construction at the present time. As long as the departments of design, construction, conservation, and scientific research all maximize their advantages, take effective measures and maximize potentialities, great possibilities lie ahead for the reduction of construction costs.

12221/9835

CSO: 4006/1315

TRANSPORTATION

COUNTRY INVESTS MORE IN HIGHWAY CONSTRUCTION

OW301838 Beijing XINHUA in English 1602 GMT 30 Oct 86

[Text] Beijing, 30 October (XINHUA)--China invested 1.3 billion yuan (about US\$350 million) on highway construction this year, 3.3 times more than last year.

A government official told XINHUA here today that the move was part of efforts by the Chinese government to readjust the nationwide transport structure by air, road, rail, and water.

According to the Ministry of Communications, road construction will be carried out on a larger scale and the Chinese government will continue to increase its investment in highway construction. The official said the total investment in highway construction will reach 7.6 billion yuan in the next five years. This figure represents a fourfold increase over the 1.5 billion yuan allocated in the past five years.

Vice-Minister of Communications Wang Zhanyi said, "China plans to build 60,000 km of new highways and widen and improve 80,000 km of existing roads in the coming five years." Priority will be given to 42 roads linking ports and coal fields, and some in economically developed and tourism areas, of which 27 will have been completed within the next five years.

As the same time, China will also construct more than 30 important highway bridges crossing the Yellow, Xinjiang, Hanjiang and Songbuajiang Rivers.

Major overpasses will replace the existing road junctions of busy highways and railway lines, the vice-minister added. When the projects are completed on 42 trunk roads, the highway freight capacity will go up 50 percent while transport costs will drop 15-20 percent.

Economic benefits will increase since these highways handle large amounts of freight. Experts predicted that the improved highways will save about two billion yuan in transportation costs.

According to the Ministry of Communications, China will have one million km of roads, including 2,000 km of expressways and first-grade roads. The total length of China's roads was 940,000 km last year. To this and more than 200,000 road builders and technicians are at present making great efforts to construct more than 80 highways totalling 12,000 km.

Qian Wenzhong, an engineer at the Highway Bureau of the ministry, said, "This year alone, China started 26 projects, including the Beijing-Qinhuangdao-Shenyang and Shanng hai-Nanjing Highway, and a 420 km international highway from China to Pakistan."

He said most of the projects are going smoothly, thanks to proper preparations. Preparations are also underway on the projects which are scheduled to start next year, including a 142.5 km road linking Beijing with the Tianjin area and a 125 km road linking the Jiangxi Province cities of Nanchang and Jiujiang.

In China's coastal open cities and special economic zones, construction has started on 13 roads to further improve the economic infrastructure for foreign investment. They include a 270 km road on Hainan Island, a 266 km road linking Fuzhou with Xiamen, in Fujian Province, and a 360 km road linking Jinan with Qingdao, in Shandong Province.

Beijing, capital of the country, is now building and widening 15 roads this year in a bid to ease city traffic jams. The city built, widened or asphalted more than 1,400 km of roads for a total length of 8,482 km at the end of 1985.

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CSO: 4020/40

TRANSPORTATION

54 MILLION YUAN MARKED FOR GUILIN AIRPORT EXPANSION

OW270806 Beijing XINHUA in English 0714 GMT 27 Oct 86

[Text] Guilin, 27 October (XINHUA)--China will earmark 54 million yuan to expand its airport next year in Guilin, one of the most scenic areas in the country, an airport official said here today.

The project includes lengthening the runway from 2,300 meters to 2,600 meters to accommodate larger airplanes such as airbus A310s, Boeing 767s, and TU 154m.

The official said they will also build a new airport terminal with a total floor space of 20,000 square meters and expand electricity, fuel and telecommunication ground facilities.

The terrain outside the city of Guilin, in subtropical south China, is dotted with weird-shaped, cone-like stalagmites that appear to have popped straight up from the ground. This is Karst country, with a thick overlay of limestone outcroppings which were thrust up by the movement of the earth's crust.

The scenery has become a major tourist attraction causing visitors by the thousands to flock to Guilin.

The passenger volume at the city's airport rose to 378,000 last year, making the airport the fourth largest in the country, after Beijing, Guangzhou and Shanghai.

This year, the airport is expected to handle 500,000 passengers, 32.3 percent more than last year, the official said.

Guilin has now more than 60 flights a week to Beijing, Chengdu, Chongqing, Guangzhou, Guiyang, Bangzhou, Kunming, Nanning and Shanghai.

There is also chartered flights between Guilin and Hong Kong.

/12232

CSO: 4020/38

TRANSPORTATION

FIGURES FOR PASSENGER, CARGO TRANSPORT RELEASED

HK051454 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Oct 86 p 3

[Text] The number of passengers carried by air in China increased by 27.5 percent in the first eight months of this year compared with the same time last year while the number of railway and waterway passengers decreased, says the State Bureau of Statistics.

Railways still held the biggest share of passenger transport, moving 710 million people in the first eight months, 8.2 percent down. But because most people travelled longer distances, the total system usage increased 3.4 percent to 196 billion people-kilometers.

Rail cargo transport increased to 880 million tons, 3.8 percent up. System utilization hit 575 billion ton-kilometers, up 8 percent, which means that cargo also moved longer distances than last year.

Water cargo transport was 135 million tons, up 12.1 percent. Usage was 511 billion ton-kilometers, up 13.3 percent while 27 million people travelled by water, down 5.8 percent. Usage was 6.6 billion person-kilometers down 5.5 percent.

More than 6 million people flew in the first eight months, up 27.5 percent giving a system usage of 9.1 billion person-kilometers, up 26.4

Air cargo was 134,000 tons, up 10.9 percent, a rate of 290 million ton-kilometers, up 11.5 percent.

About 2.86 billion people moved by vehicles, up 1 percent, a rate of 108 billion person-kilometers, up 5 percent.

Truck cargo transport was 439 million tons, up 2 percent, giving a usage of 23 billion ton-kilometers, up 1 percent.

Major sea port handling was 255 million tons, up 16.5 percent.

Postal business income in the first eight months was 2 billion yuan, up 5.9 percent.

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CSO: 4020/40

TRANSPORTATION

BRIEFS

CAAC YUN-7 AIRPLANE PURCHASE--Xian, 28 October (XINHUA)--The Civil Aviation Administration of China (CAAC) will purchase 40 China-made YUN-7 airplanes to fly its domestic routes in the coming few years. In a purchasing meeting held here Wednesday, CAAC decided to first buy 15 YUN-7 passenger planes by the end of next year for its local branches in Guangzhou, Chengdu, Shenyang, Shanghai and Xian, and for an aviation school and two companies, a CAAC official said. Produced by the Xian Aircraft Manufacturing Company, the YUN-7 airplane is a popular plane used by CAAC's local branches, which have bought 15 since 1984, the official said. By the end of the state Seventh 5-Year Plan period (1986-1990), CAAC will have 55 such planes in service, the official said. According to him, the Xian Company will cooperate with foreign counterparts to improve the YUN-7 plane in the period. [Text] [Beijing XINHUA in English 1525 GMT 23 Oct 86 OW] /12913

CIRCULAR ON ROAD TRAFFIC--Beijing, 26 October (XINHUA)--Public security departments will be held responsible for traffic rules on all roads throughout China, according to a government decision to improve efficiency in traffic control. A circular issued recently by the State Council, China's highest government body, says that the reform of the country's road traffic management system is designed to end "previous management by various departments" in a bid to meet the needs of opening to the outside world while invigorating the domestic economy. The State Council has empowered the Ministry of Public Security to draft the country's laws and regulations on traffic safety and management. Once they are approved by the National People's Congress, the circular says, "the Ministry will be held responsible for implementing them." The circular notes that without the approval of the public security organs, no units or individual persons can occupy road space to set up stands, shops and markets, park motor vehicles or pile up goods. Except for the public security organs, no other government departments can set up posts on roads to intercept or inspect vehicles, the circular says. [Text] [Beijing XINHUA in English 0217 GMT 26 Oct 86 OW] /12913

STATE COUNCIL RECALLS VEHICLES--Beijing, 29 October (XINHUA)--The State Council, China's highest governing body, will revoke licenses and stop gasoline supplies in an effort to get old motor vehicles off the road. The new governmental policy is part of a national program to cut back oil consumption and recover scrap steel and other metals, according to a national conference that closed here recently. A participant at the conference noted that during the 1982-85 period China recycled 223,700 vehicles, saving about 51.9 million barrels of oil, and recovering 480,000 tons of steel. The

country had 3.04 million civilian motor vehicles at the end of 1985, with 20 percent of them eligible for recall. The Chinese government plans to recall 75,000 motor vehicles this year, based on age, mileage and condition. "The plan has not been carried out well so far," the conference stated, "because only 31,800 units have been recalled with only 12,300 actually turned-in during the first half of this year." It demanded banning the sale of recalled vehicles on the open market, emphasizing, "the seller must be held responsible for all losses on the part of the buyer." [Text] [Beijing XINHUA in English 0135 GMT 29 Oct 86 OW] /12913

LHASA FLIGHTS--Beijing 23 October (XINHUA)--Regular flights are to begin from 16 November between Lhasa, capital of Tibet, and Beijing, Shanghai, the Jiangsu provincial capital of Nanjing and the Guangdong provincial capital of Guangzhou. Boeing 707 and 737 airliners will fly the routes. [Text] [Beijing XINHUA in English 0200 GMT 23 Oct 86 OW] /12913

FUZHOU-LIANCHENG PASSENGER FLIGHT INAUGURATED--Liancheng, 23 October (XINHUA)--An 11-14 passenger plane from Fuzhou landed at the Liancheng Airport in the west Fujian mountainous area at 1050 today. This was the first passenger flight of the third air route--from Fuzhou to Liancheng--opened by the Fujian Joint Aviation Service Company jointly operated by the Fujian Provincial People's Government and the Air Force. Located in the middle of the west Fujian mountainous area, Liancheng County serves as a traffic hub for eight counties (cities) of northwestern Fujian, southern Jiangxi, and eastern Guangdong. Forest and mineral resources abound there. The opening of the Fuzhou-Liancheng passenger flight will facilitate development of resources in 18 counties and cities in the 3 provinces. [By reporter Liu Guozhu and correspondent Wu Furui] [Text] [Beijing XINHUA Domestic Service in Chinese 1222 GMT 23 Oct 86 OW] /12232

MORE PRC-MADE PLANES USED--There will be 40 more Yun-7 homemade passenger planes used on domestic flights in the Seventh 5-Year Plan period. Yesterday the General Administration of Civil Aviation of China and the Xian Aircraft Manufacturing Company signed a purchase contract. The Xian Aircraft Manufacturing Company has a production line with an annual output of more than 10 Yun-7 passenger planes. To meet the demands set by the General Administration of Civil Aviation of China, the company will raise the quality of the Yun-7 by improving the turbo-propeller and radio navigation devices so as to catch up with world advanced standards. [Text] [Xian Shaanxi Provincial Service in Mandarin 0030 GMT 23 Oct 86 HK] /12858

GREEN BELTS PROTECT RAILWAY--Lanzhou, 25 October (XINHUA)--A network of five anti-sand belts has successfully protected part of the Baotou-Lanzhou railway in northwest China from being buried by the dunes of the Tengger Desert, according to the results of a recent state technical test. The 898 km section, linking two stations on the Baotou and Lanzhou railway line, is used to transport 80 percent of the steel, fur and coal produced in the northern parts of the Inner Mongolia Autonomous Region and Shanxi Province to other parts of the country. The local government built a 500-meter-wide protection zone consisting of belts of pebbles, trees, shrubs, wheat straw fences and grass, respectively. Over 100 experts attending the meeting agreed the sand-harnessing network along the railroad has prevented the sand dunes from moving, provided a windbreak and promoted the growth of forests. The railway, built in 1956, together with the sand-harnessing network cost an investment of 30 million yuan (over 8 million U.S. dollars) and 4.5 million man hours. [Text] [Beijing XINHUA in English 0641 GMT 25 Oct 86 OW] /12232

SEA TRANSPORTATION CAPACITY INCREASES--Beijing, 17 Oct (ZHONGGUO XINWEN SHE)--The transportation capacity of China's fleet of ocean-going freighters now exceeds more than 17 million deadweight tons. According to a shipping official of the China Ocean Shipping Company, in May this year, the State Council's leading group in charge of sea, land, and airports decided to reschedule voyages and arranged 89 voyages. Of these 89 voyages, 20 voyages along 5 shipping routes are referred to as the core. In addition, the leading group also "fixed five things in advance." These five things are routes, berths, dates, types of ships, and types of cargo. Sometimes, ships may have to depart as scheduled even if they are not fully loaded, in order to ensure that the bulk cargo ships and container ships can operate smoothly. In the 4 months since 1 June this year, when the company began operating according to the revised shipping schedule, the arrival and departure of ships have become more and more punctual. In September, 100 percent punctuality was achieved. The company has established a very good international reputation. [Report: "Transportation Capacity of China's Fleet of Ocean-going Freighters Now Exceeds More Than 17 Million Deadweight Tons"--ZHONGGUO XINWEN SHE headline] [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 1310 GMT 17 Oct 86 HK] /12858

DESERT HIGHWAY BOOSTS DEVELOPMENT--Yinchuan, 28 October (XINHUA)--A new highway cutting through the Tenggar Desert--China's second-largest desert--has been proven a success since it opened to traffic in October 1985. The highway links the central part of northwest China's Ningxia Hui Autonomous Region and the west part of Inner Mongolia with 39 kilometers of roads. Zhang Baoshan, an official in charge of designing the highway's sand prevention project, said the design follows the experience of the 980-km Baotou-Lanzhou Railway, the first railway passing across the southern part of the Tenggar Desert. Since it was completed in 1958, the railway has been a great success thanks to dune-fixing plants. The highway's project includes the installation of wicker-woven fences along the road and the cultivation of certain plants to stabilize the sand. The construction of the highway is intended to make the resources of an iron mine with 4 million tons of reserves and the mirabilite in a salt pond in the center of the desert available to factories nearby which need the materials. [Text] [Beijing XINHUA in English 0135 GMT 28 Oct 86 OW] /12232

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SUGGESTIONS FOR OVERCOMING OBSTACLES IN FOREIGN TRADE

Hong Kong WEN WEI PO in Chinese 24 Jul 86 p 10

[Article by He Daoming [0149 6670 2494], lecturer in the Department of Business Administration, Hong Kong Municipal Polytechnic School: "Examining the Development of Hong Kong's Foreign Trade"--Abridged version of an article published in issue No 7 of the XIANGGANG GONGSHANGYE YANTAObAN [Forum on Hong Kong's Industry and Commerce], published by the Hong Kong Chinese Chamber of Commerce]

[Text] Review of Hong Kong's Foreign Trade

Hong Kong's foreign trade consists of export, import, and entrepot trade. Statistics reveal a rapid increase in Hong Kong's foreign trade over the past 25 years. Total trade volume in 1985 was 466.6 billion, an increase of 47 times over the 9.9 billion of 1960. The total value of exports increased from 2.9 billion in 1960 to 129.9 billion in 1985, a 45-fold increase. During the same period, entrepot and import trade increased 96 and 39 times respectively. When talking about Hong Kong, one must not overlook its foreign trade.

Exports

Manufactured goods produced in Hong Kong and exported are mainly consumer goods, including such items as garments, timepieces, toys, electronic parts, and radios. In 1985 the items mentioned above accounted for 35, 7, 5, 5, and 3 percent, respectively, of Hong Kong's total exports.

Hong Kong's exports are sold primarily to the United States, China, Great Britain, and West Germany. In 1985, 44 percent of goods manufactured in Hong Kong were shipped to the United States, 12 percent to China, 7 percent to Great Britain, and 6 percent to West Germany. The United States has been Hong Kong's largest export market for a long time, with Great Britain and West Germany as Hong Kong's second and third largest export market. However, beginning in 1984, there has been a large increase in the shipment of Hong Kong's manufactured goods to China, raising China to second position among Hong Kong's export markets.

Imports

The main items of imports into Hong Kong are raw and semi-finished goods, consumer goods, machinery and other production equipment, food products, and fuel. In 1985, the above items accounted for 42, 29, 16, 9, and 4 percent, respectively, of total imports into Hong Kong. Because of its lack of natural resources, Hong Kong has to rely on supplies from other countries, whether for industrial raw materials and machinery or consumer goods and food. The main countries of origin of Hong Kong's imports are China, Japan, the United States, Taiwan, Singapore, and Great Britain. China and Japan are still the major sources of Hong Kong's imports. In 1985 shipments from China and Japan accounted for 25 and 23 percent, respectively, of the total value of Hong Kong's imports.

Entrepot Trade

Prior to the 1950's, entrepot trade in Hong Kong was an extremely flourishing business. In those days, Hong Kong was mainly engaged in "China trade," serving as a transit station for commodities moving between China and the West. Later, the United Nations imposed an embargo on shipments to China, and this resulted in a decline in Hong Kong's entrepot trade. Fortunately, starting in the 1970's, China adopted the policy of opening up to the outside world, and the "China trade" of the past was revived. From 1978 on, China began to pursue its "four modernizations". This had a rejuvenating effect on Hong Kong's entrepot trade and it experienced phenomenal growth.

Entrepot trade commodities consist primarily of food, consumer goods, industrial raw materials, and machinery. In 1985, transshipments of raw materials and semifinished products accounted for 41 percent of the total value of transshipped goods, while consumer goods accounted for 37 percent.

China and the United States are the most important markets for transshipped commodities. In 1985 the U.S. and the PRC accounted for 44 and 14 percent of the total commodities transshipped through Hong Kong.

China and Japan are the most important countries of origin for commodities transshipped through Hong Kong. In 1985 transshipped commodities originating from these two countries accounted for 33 and 21 percent of Hong Kong's total entrepot trade volume..

The Significance of Trade for Hong Kong's Economy

Hong Kong has a large population on a small area of land and lacks natural resources. In the 1950's Hong Kong started to develop labor-intensive industries, such as the clothing and textile industries, and from then on shipped out year after year cheap ready-to-wear clothes and textiles, watches, toys, and electronic products to the United States and other Western countries, earning foreign exchange in the process. Hong Kong imported from China grain and ordinary consumer goods, and purchased from Japan and the other Western countries industrial raw materials, machinery, and high-class consumer goods. Trade had, therefore, become of the utmost importance in the economic development of Hong Kong.

Statistics show that over 90 percent Hong Kong's manufactured goods were exported, indeed an extremely high proportion of overall production. In 1985, gross value of exports made up 89 percent of Hong Kong's gross output value for the entire year. This clearly points out the crucial role of export trade in Hong Kong's modern economy.

Problems Facing Hong Kong's Export Trade

(1) External Factors

In the 1960's and 70's, the United States and Europe experienced rapid economic growth. Hong Kong seized the opportunity to develop labor-intensive industries, and with the clothing and textile industries as its primary focus, and exports as its goal, Hong Kong was able to break into the American, British, and West German markets. Hong Kong's industrial development at that time experienced phenomenal growth.

However, in the latter part of the 1970's, economic growth slackened in Europe and the United States. Their economies experienced ups and downs and uncertainties in market demand, a situation which struck a devastating blow to Hong Kong's export trade.

The benefits of a free trade economy are that it contributes to a larger international division of labor and to improvements in the utilization of natural resources, and also to an increase in output. Hong Kong has all along firmly supported the principles of GATT and its economic theory of open markets. Unfortunately, however, Hong Kong began to suffer from trade restrictions imposed by the United States and Europe beginning in the 1950's.

Trade restrictions mainly took the form of "quantitative restrictions," i.e. the imposition of quotas on imports and the prohibition of shipments above import quotas.

Recently, on 30 June, Hong Kong and the United States signed an "extension and amendment" to the bilateral textiles trade agreement. The amendment stipulates that the quantity of textiles shipped from Hong Kong to the United States may be increased an average of 1 percent per year and that non-MFA [non-Multi-Fiber Arrangement] textiles such as silk, ramie, and silk-blend fabrics, are to be included in the quota. As Hong Kong was not in a position to bargain, it reluctantly accepted the new agreement, hoping that by doing so, the colony will be able to realize a steady increase in its textile exports over the next 5 years and that protectionist pressure in the United States would ease.

With fierce competition from several newly industrialized Asian countries such as Taiwan, South Korea, Malaysia, and Singapore, the proportion of Hong Kong products in the markets of Europe and the United States has in recent years declined. These developing countries make the most of their advantages in cheap labor, natural resources, and imported foreign capital and energetically

import advanced foreign technologies and equipment, thereby consolidating their industrial foundation and gradually becoming a threat to Hong Kong's exports.

(2) Internal Factors

Hong Kong's shortage of land for industrial purposes and exorbitant rents and land prices, cause increases in industrial production costs year after year. This cuts away at Hong Kong's ability to compete with prices on the international market.

Starting in the 1970's, the rapid development of Hong Kong's manufacturing industries, the expansion of service trades, the brisk business in the real estate and construction industries, and the abrupt increase in demand for labor led to a high level of wage costs.

From 1974 to 1980, importation and retention of industrial machinery increased at a real annual rate of 17 percent. During the period from 1981 to 1985, however, this figure was only 2 percent. Industrial investments slowed tremendously and seriously affected the regular development of Hong Kong's industrial production. Product quality gradually fell behind that of Hong Kong's Asian neighbors and weakened the colony's export competitiveness and ability to earn foreign exchange.

Ways of Overcoming the Difficulties in Foreign Trade

Feasible ways to resolve these difficulties would be to accelerate industrial diversification and develop high-quality products. Industrial diversification comprises diversification of products and diversification of export markets.

In 1985 Hong Kong products marketed in the United States accounted for 44 percent of its total export volume. In order to avoid an overly high concentration of exports in the U.S. market, Hong Kong businesses should expand exports to Central and South America, Japan, Southeast Asia, and other regions.

Hong Kong businesses should strive to develop products that do not fall under trade restrictions, such as electronic goods, timepieces, and toys, and in this way speed up the diversification of products.

The textiles trade agreements with Europe and the United States place restrictions only on the quantity and not on the value of exports. Hong Kong's businesses should therefore increase investments in industry, import advanced foreign technology and equipment, develop medium and high-grade products, and raise the "added-value" of its products.

Achieving industrial diversification depends, first of all, on the efforts of the industrial sector itself, but requires at the same time the active assistance of the Hong Kong Government and the support of the financial

sector. If economic ties between Hong Kong and China could be increased, both sides could realized the most advantageous use of their respective resources as well as much greater diversification of their industries.

The Hong Kong Government has for a long time pursued an economic policy of "active nonintervention;" nonetheless it has all along assisted in the overall development of industry.

Recently, the newly-appointed finance minister Zhai Kecheng [5049 0344 6134] said that in addition to opposing protectionism and striving to obtain equitable conditions for Hong Kong businessmen in international trade, the government also tries to raise the standard of the manufacturing industries by actively training personnel. In recent years, the government has established the Bureau of Vocational Training and the Hong Kong Municipal Polytechnic School, as well as many industrial colleges. Furthermore, the government is in the process of planning a third university.

Many departments of the Hong Kong Government, such as the Department of Industry, Department of Trade, Bureau of Trade Development, and the Bureau for the Promotion of Production have also conducted many surveys and studies. They have provided factories and businesses with much data and indirect assistance. The government is currently providing a series of direct services to the industrial sector. This includes the establishment of a company, the Hong Kong Products Design and Creation Co., Ltd., which opened in March and provides industry with industrial designs and services relating to product creation.

The structure of Hong Kong's manufacturing industry is unusual. Over 90 percent of the factories employ less than 50 workers. A common weakness among medium and small enterprises is that management is poor and the level of technology is low. The Hong Kong government should therefore increase its assistance to medium and small enterprises in these weak areas and provide them with detailed and accurate data from studies on overseas markets.

Development of Hong Kong's manufacturing industry also depends on the active participation of foreign investors. Statistics show that HK\$11.6 billion in foreign capital was invested in Hong Kong industries in 1985. Of this figure, American capital amounted to HK\$6.1 billion, followed by Japanese and British capital. Foreign investors not only provide capital investment; they also introduce advanced production technology. Therefore, the Hong Kong government should improve the investment environment so as to attract even more foreign capital.

Hong Kong lacks natural resources and advanced science and technology. However, Hong Kong's hinterland, namely China, is rich in natural resources. Hong Kong and China should be able to combine their resources. Examples are:

1. Hong Kong's labor-intensive industries could be moved into the China, thereby reducing production costs.
2. Hong Kong's industries could make use of China's S & T to improve production techniques and develop high-quality products.

3. China and Hong Kong could increase academic exchanges and joint research in S & T, business administration, and economics, and help each other develop by learning from the other's strengths and offsetting the other's weaknesses.

For a long time, bank loans to the manufacturing industry accounted for only a very small proportion of total loans in Hong Kong. In 1985, loans to the manufacturing industry made up only 8 percent of total loans in Hong Kong. Industry is an important pillar in Hong Kong's economy. Bank loans play a decisive role in providing employment and earning foreign exchange. The banks should provide industry with reasonable and complete services.

Recently, highly placed persons in society have repeatedly suggested the establishment of an "Industrial Bank," a "Business Start-up Fund," an "Industrial Investment Control Company," an "Industrial Development Fund," and many other similar kinds of organizations. The main idea is to increase financial circulation going to industry and encourage industrial investment. These suggestions are well worth the consideration of the Hong Kong Government and Hong Kong's financial sector.

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